

2/22/78 [1]

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THE PRESIDENT'S SCHEDULE

Wednesday - February 22, 1978

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

8:45 Mr. Frank Moore - The Oval Office.

9:00
(15 min.) Congressman Sidney R. Yates. (Mr. Frank Moore) - The Oval Office.

9:30
(15 min.) Senator Lloyd M. Bentsen. (Mr. Frank Moore) - The Oval Office.

10:00
(15 min.) Drop-By Briefing on Reorganization for the House Government Affairs Committee. (Mr. Frank Moore and Mr. James McIntyre) - The Cabinet Room.

10:30 Mr. Jody Powell - The Oval Office.

11:20
(5 min.) Congressman Robert Garcia. (Mr. Frank Moore).
The Oval Office.

11:25
(5 min.) Governor Brendan Byrne. (Mr. Jack Watson).
The Oval Office.

11:30
(20 min.) Vice President Walter F. Mondale, Admiral Stansfield Turner, Dr. Zbigniew Brzezinski and Mr. Hamilton Jordan - The Oval Office.

12:00 Lunch with Vice President Walter F. Mondale, Secretary Michael Blumenthal, Dr. Arthur Burns, Mr. Charles Schultze and Mr. James McIntyre.
The Roosevelt Room.

1:30
(10 min.) Ambassador Peter Jay. (Dr. Zbigniew Brzezinski).
The Oval Office.

7:30 Dinner for Retiring Members of Congress.
The State Floor.

THE WHITE HOUSE
WASHINGTON

February 22, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: VIETNAM PRM STUDY

THE WHITE HOUSE
WASHINGTON

2/21/78

Mr. President:

Senior Staff had no objection.

Rick

THE PRESIDENT HAS SEEN.

Stu
J

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Stu*
FRANK RAINES

SUBJECT:

Vietnam Veteran PRM Study

In the written message to the Congress on the State of the Union you indicated that you would initiate a government-wide review of the status of Vietnam-era veterans. Also, in the campaign you indicated that you would conduct such a review.

*I don't
recall
this*

We believe that this review can best be accomplished through the Domestic Policy Review Process. We have prepared an Issue Definition Memorandum and circulated it to the interested agencies. The attached memorandum is the final draft incorporating the comments of the agencies, including VA and DOD.

I recommend that you approve the draft memorandum and authorize me to initiate the study.

Decision

☒ Approve PRM
☐ Disapprove PRM

*But minimize P.R. &
do not raise unwarranted
expectations of new
programs, etc.*

J
*in future, be reticent about
studies of this kind.*

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR:

THE SECRETARY OF DEFENSE
THE ATTORNEY GENERAL
THE SECRETARY OF LABOR
THE SECRETARY OF HEALTH, EDUCATION,
AND WELFARE
THE DIRECTOR OF THE OFFICE OF
MANAGEMENT AND BUDGET
THE ADMINISTRATOR OF THE VETERANS
ADMINISTRATION
THE ADMINISTRATOR OF THE COMMUNITY
SERVICES ADMINISTRATION
THE ASSISTANT TO THE PRESIDENT FOR
PUBLIC LIAISON

FROM:

STUART EIZENSTAT *Stu*

SUBJECT:

Issue Definition Memorandum:
Interagency Review of the Status
of Vietnam-era Veterans

Purpose of the Study

The President has directed that a government-wide review be made of the status of Vietnam-era veterans. A Coordinating Committee will meet to analyze the results of the study and provide options for items to be presented to the President for inclusion in a coordinated program to respond to the special needs possessed by some of these veterans. The Committee will be co-chaired by the Administrator of the Veterans Administration and the Domestic Policy Staff and will consist of the addressees.

The study should focus on four types of inquiries:

1. What is the current status of Vietnam-era veterans in terms of education, employment, health, family life and form of service discharge?

2. What types of federal programs have been mounted to meet the needs of these veterans and how well have these programs succeeded in achieving that goal?
3. What reforms, improvements or modifications can be made in current programs to improve the effectiveness in meeting the needs of these veterans?
4. What new programs or initiatives are necessary to meet the needs of these veterans?

Several of the agencies involved in the study already have efforts underway to devise or implement programs or activities specifically designed to meet the needs of Vietnam-era veterans. To the maximum extent possible these programs and activities should be coordinated with this study and its recommendations.

Structure of the Study

The study will be divided into five parts. The lead agency for each part will analyze available information, identify options, indicate pro and con arguments and make recommendations. The lead agencies will work closely with all other affected agencies and will reflect the views of those agencies in the reports. They will also consult with the Congress and interested individuals and organizations.

1. Profile of Vietnam-era Veterans (Lead Agency: VA)
This report should analyze and present the information we have on the status of Vietnam veterans. It should include comparisons with the non-veteran population and explanations of any differences which exist between the two groups.
2. Employment Opportunities (Lead Agency: DOL)
This report should analyze the employment problems of Vietnam veterans, current programs, and new initiatives which may be necessary.
3. Veterans Services and Benefits (Lead Agency: VA)
This report should analyze education, health, and income maintenance benefits available to Vietnam veterans, the extent of their use and means by which utilization can be improved.

4. Military Status (Lead Agency: DOD)

This report should analyze the effect of separation and discharge policies and review procedures on Vietnam veterans and recommend appropriate actions to improve effectiveness.

5. Incarcerated Veterans (Lead Agency: Justice (LEAA))

This report will analyze the status of incarcerated veterans, the relationship of their situation to their prior military service, and the means by which their problems can be addressed.

Schedule for Completion of the Review

This is intended to be a relatively short term study relying on existing sources of information. It may be possible to complete some reports sooner than others and the lead agencies should identify those areas so that earlier dates can be set for those reports. In some cases a longer time period will be necessary for the reports or some part of them. These too should be identified and assigned a specific reporting date. The general timetable, as modified by the exceptions noted above, will be as follows:

- A. First Meeting of the Coordinating Committee: Feb. 24
- B. Lead Agencies Response Memoranda Due: April 3
- C. Memorandum for the President Due: April 10

ID 780892

T H E W H I T E H O U S E

WASHINGTON

DATE: 21 FEB 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

MIDGE COSTANZA

HAMILTON JORDAN

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

JODY POWELL

JIM MCINTYRE

CHARLES SCHUTLZE

SUBJECT: EIZENSTAT MEMO RE VIETNAM VETERAN PRM STUDY

+++++ +++++ +++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

BY: _____

+++++

ACTION REQUESTED: CALL BY 5:00 PM TODAY IF YOU WISH TO COMMENT

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID 780892

T H E W H I T E H O U S E

WASHINGTON

DATE: 21 FEB 78

FOR ACTION:

INFO ONLY: JACK WATSON

ZBIG BRZEZINSKI

SUBJECT: EIZENSTAT MEMO RE VIETNAM VETERAN PRM STUDY

+++++ +++++ +++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++ +++++ +++++

ACTION REQUESTED: CALL BY 5:00 PM TODAY IF YOU WISH TO COMMENT

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
/	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
/	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

call by COB Tues if you wish to comment

ACTION	FYI	
	/	MONDALE
	/	COSTANZA
		EIZENSTAT
	/	JORDAN
	/	LIPSHUTZ
	/	MOORE
	/	POWELL
	/	WATSON
	/	McINTYRE
	/	SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
/	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

971

THE WHITE HOUSE
WASHINGTON

February 22, 1978

Hamilton Jordan

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

Ham
J

THE WHITE HOUSE
WASHINGTON

February 20, 1978

HAM--

David Gambrell just called to report on some ideas he has about the votes of Nunn and Talmadge on the treaties.

Dave says that he has five past presidents of the Georgia Bar Association who are willing to contact Nunn and Talmadge, and also three or four of the past presidents of the Georgia Chamber of Commerce.

Most importantly, however, he suggested that the President call Jasper Dorsey. Dorsey should be asked to contact 100 of his friends to ask them to write or call Nunn and Talmadge in favor of the treaties. Dorsey has just retired and has the time to make this kind of effort, and Gambrell understands that Dorsey is in favor of the treaties.

I think this is a good idea.

Qd From now \neq 3/6 will work
Landon on this - Sam wants 2
amendments - Herman non-com
so far - Will later call
me or Ham

J

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for Preservation Purpose

THE WHITE HOUSE
WASHINGTON

12:10 p.m.
WED. FEB. 22, 1978

MR. PRESIDENT

ADM. STRAUSS CALLED.

T.K.

Mr. President --

Ham said it was important
that he talk with you/see
you before you return.
Strauss' phone call.

--SSC

Shaw - Steel axes
Ready to take. Plm dead from
Comissio - new Dead report.

7:30 PM

THE PRESIDENT HAS SEEN

THE WHITE HOUSE

WASHINGTON

February 21, 1978

C
✓

DINNER WITH RETIRING MEMBERS OF CONGRESS

Wednesday, February 22, 1978

7:30 p.m.

East Room

From: Frank Moore *F.m./pd*

I. PRESS PLAN

Press coverage following dinner.

II. PARTICIPANTS



FRANK EVANS (D-COLORADO)

Wife: Eleanor

Elected: 1964

Appropriations Committee

Democratic Study Group

Profession: Attorney

BARBARA JORDAN (D-TEXAS)

Single

Elected: 1972

Judiciary Committee

Government Operations Committee

Profession: Attorney

GEORGE MAHON (D-TEXAS)

Wife: Helen

Elected: 1934

Chairman, Appropriations Committee

Profession: Attorney

GARY MYERS (R-PENNA.)

Wife: Elaine

Elected: 1974

Public Works Committee

Science and Technology Committee

Profession: Engineer

LLOYD MEEDS (D-WASHINGTON)

Wife: Mary (born in Mainland China)

Elected: 1964

Interior Committee

Rules Committee

Profession: Attorney



JIM MANN (D-SOUTH CAROLINA)

Wife: Virginia

Elected: 1968

Judiciary Committee

Committee on the District of Columbia

Profession: Attorney

JOHN MOSS (D-CALIFORNIA)

Wife: Jean

Elected: 1952

Government Operations Committee

Interstate and Foreign Commerce

Profession: Real Estate

SHIRLEY PETTIS (R-CALIFORNIA)

Widowed

Elected: 1975

Education and Labor Committee

International Relations

Profession: Ranch Manager

W. R. (BOB) POAGE (D-TEXAS)

Wife: Frances

Elected: 1936

Vice Chairman, Agriculture Committee

Profession: Attorney

JOE SKUBBITZ (R-KANSAS)

Wife: Mary Jess

Elected: 1962

Interior Committee

Interstate and Foreign Commerce

Profession: Educator

CHARLES WHALEN (R-OHIO)

Wife: Barbara

Elected: 1966

Committee on the District of Columbia

International Relations

Profession: Economist

TENO RONCALIO (D-WYOMING)

Wife: Cecelia

Elected: 1964

Interior Committee

Public Works Committee

Profession: Attorney/businessman

GEORGE SHIPLEY (D-ILLINOIS)

Wife: Ann

Elected: 1958

Appropriations Committee

Profession: Sheriff



BERNIE SISK (D-CALIFORNIA)

Wife: Reta
Elected: 1954
Rules Committee
Profession: Businessman

CHARLES WIGGINS (R-CALIFORNIA)

Wife: Betty
Elected: 1966
House Administration Committee
Judiciary Committee
Profession: Attorney

OTIS PIKE (D-NEW YORK)

Wife: Doris
Elected: 1960
Ways and Means Committee
Joint Economic Committee
Profession: Attorney

JOHN SPARKMAN (D-ALABAMA)

Wife: Ivo
Elected: 1946 (served in House - total
number of years 41)
Chairman, Foreign Relations Committee
Banking Committee
Joint Economic Committee
Profession: Attorney



JAMES ABOUREZK (D-SOUTH DAKOTA)

Wife: Mary
Elected: 1972
Budget Committee
Energy Committee
Judiciary Committee
Profession: Attorney

DEWEY BARTLETT (R-OKLAHOMA)

Wife: Ann

Elected: 1972

Armed Services Committee

Energy Committee

Profession: Farmer/Rancher

KANEASTER HODGES (D-ARKANSAS)

Wife: Lindley

Appointed: 1977

WILLIAM SCOTT (R-VIRGINIA)

Wife: Inez

Elected: 1972

Armed Services Committee

Judiciary Committee

Profession: Attorney

I have attached some draft remarks for you to use after dinner. If you should choose to call upon any of the Members, it should be Senator Sparkman and Chairman Mahon.

JACK FLYNT (D-GEORGIA)

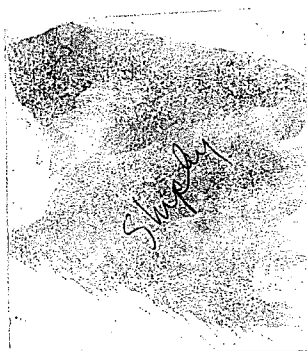
Wife: Patricia

Elected: 1954

Chairman, Standards of Official Conduct
Appropriations

Profession: Attorney





THE WHITE HOUSE
WASHINGTON
February 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, ^{Jim} JERRY DOOLITTLE ~~Jerry~~
SUBJECT: Talking Points for February 22 Congressional Dinner

(Note: The following jokes are to supplement the material on the retiring members provided by Frank Moore's office.)

1. Representative Otis Pike, in announcing his retirement, put out a long list of reasons. One was that he was tired of wasting his time on drivels. As a special favor, though, you'd like to ask him to stay till you're finished speaking ...
2. Your guests are Republicans and Democrats, of widely different political beliefs. Perhaps the only thing they all agree on is what to give up for Lent. This year, they're giving up Congress ...
3. The combined Capitol Hill service of the members of Congress present comes to something like four hundred years of legislative experience -- and yet we still haven't got an energy bill.
4. You don't know what most of your guests plan to do after they leave Congress, but there's one area where they could certainly be of great help to your Administration. Have any of them considered a second career in coal mining?

5. Your own second career was leaked by a source in your Sunday School. You intend to be a missionary. Your experiences with Congress have prepared you to be boiled alive.

6. Your mission will be to some of the darkest and most benighted regions of our globe -- areas where the light of the true faith gutters or is entirely absent. Traditionally Republican districts ...

7. Today is Washington's Birthday. In all modesty, there are certain similarities between you. Neither of you, for instance, can tell a lie.

8. You're better off than President Washington in that respect, though. You have Jody.

9. Of course, there are differences between you and George Washington, too. For instance, he had false teeth. Your own teeth are real -- all 34 of them.

#

AFTER DINNER REMARKS
DINNER WITH RETIRING MEMBERS OF CONGRESS
Wednesday, February 22, 1978

I have rarely had the opportunity to sit down with a group as distinguished and respected as the one here before me tonight.

I thought you might be interested in a few facts about yourselves as a group. First of all, your combined service in the United States Congress totals a staggering 400 years or twice as many years as the duration of our Nation! Virtually every major committee in both the House and the Senate is represented by this group, including the Chairman of the House Appropriations Committee, the Chairman of the Senate Foreign Relations Committee and the Vice Chairman of the House Agriculture Committee. The House of Representatives will be losing its two most senior members with the retirement of Vice Chairman Poage and Chairman Mahon, who is in fact the dean of the entire Congress. We are also losing the only two Members of Congress born before the turn of the 20th Century, Chairman Sparkman and Vice Chairman Poage.

You are a group as varied as the American people you have served so well. Your numbers include representatives of all geographical regions of the country; your group includes women, blacks, Democrats, Republicans, Liberals, Moderates, Conservatives. Prior to your public service, you were involved as lawyers, businessmen, farmers, educators, engineers, and economists. We have one former Governor,

Senator Bartlett of Oklahoma, and one Democratic Vice Presidential candidate, Senator Sparkman.

There are certain human attributes that although possessed in some measure by most men and women are evident to a greater degree in America's legislators.

-- the dedication of men such as George Mahon, Bob Poage and John Sparkman, each of whom has served over four decades in the Congress;

-- men like Bernie Sisk, Jack Flynt and George Shipley who have each served this country for over a generation;

-- The dedication of a man like Kaneaster Hodges who came to the Senate upon the death of Senator McClellan and who has done a remarkable job in assuming this awesome responsibility.

-- Men of compassion like Jim Abourezk who has been a strong, effective voice speaking out for the rights of America's minorities.

With us tonight are also some who possess the foresight that distinguishes the great from the ordinary. Early in the 1950's, John Moss was a lone voice advocating the right of a private citizen to have access to personal information held in Government files. What now protects us all as the Freedom of Information Act is law because

of the foresight of John Moss. There is also the foresight of a man like Charles Whalen who long before it became a popular notion spoke out and sponsored legislation to end the conflict in Vietnam.

I believe one of the attributes which most clearly distinguish the actions of man from the blind instinct of the animal is courage. As I look around this table, I see examples of great courage, both personal and professional. The courage of Shirley Pettis who after the tragic death of her husband, Jerry, came to the House to continue the work he had just begun and the personal courage of Senator Dewey Bartlett who for the past two years has continued his work in the Senate in spite of serious illness.


In this group before me tonight are three members of the House Judiciary Committee who served with the highest degree of both personal and professional courage during the Impeachment Hearings. No one will forget the pain of that time. But along with the pain, we will also remember the deep pride all of us felt as we watched the Committee undertake its Constitutional duty. Barbara Jordan, Jim Mann and Charles Wiggins all served as eloquent testimony that our system of government does work.

Over the past year, all of you here tonight have helped me in ways that I can never repay. Your accomplishments are far too numerous to mention. You

have given me your advice, your counsel and your understanding and I hope that I can continue to call upon you in the future.

I would like to leave you with these words of Abraham Lincoln which I believe speak directly of the kind of selfless service each and every one of you have given to the American people during your years in Congress:

"I desire so to conduct the affairs of this government that if at the end, when I come to lay down the reins of power, I have lost every other friend on earth, I shall at least have one friend left, and that friend shall be down inside me."



I commend you, I thank you and I shall miss you.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

FOR THE PRESIDENT AND MRS. CARTER

FROM GRETCHEN POSTON

DATE: 17 February 1978

SUBJECT: PRIVATE DINNER
RETIREES FROM THE CONGRESS
22 February 1978
7:30 P.M.

Please find attached a scenario for the function indicated above.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT AND MRS. CARTER

FROM GRETCHEN POSTON *GP*

DATE: 16 February 1978

SUBJECT: DINNER FOR RETIREES FROM THE CONGRESS
22 February 1978 in the East Room
7:30 P.M. - 10:00 P.M.

DETAIL

7:30 P.M. The PRESIDENT and MRS. CARTER arrive State floor, and join guests in Blue and Red Rooms. Wine and juice to be passed by butlers. Mix-and-mingle with incoming guests.

U.S.A.F. Ensemble with piano in East Room.
Soft background program. Ensemble will be in northeast corner of room.

Round tables (seating 8) scattered in East Room.
Guests will pick up table cards in Diplomatic Reception Room.

8:00 P.M. The PRESIDENT and MRS. CARTER lead guests to dinner in East Room.

U.S.A.F. Ensemble to continue soft background music during dinner.

9:00 P.M. Following dessert, the PRESIDENT introduces program.

Performers will speak from platform at east wall. Three reading stands, mikes and amp. needed.

9:20 P.M. The PRESIDENT thanks performers, and makes prepared remarks.

Platform at east wall. Standing mike on platform. Reading stand available.

10:00 P.M. The PRESIDENT and MRS. CARTER depart State floor. All guests to depart.

NOTE: Press pool coverage on Presidential remarks, and for the entertainment.

THE WHITE HOUSE
WASHINGTON

Ham -

I prefer not to
sign the photos -

J. C.

And Not Just

At the request of the Democratic National Committee, Andy Warhol has come up with a new portrait of Jimmy Carter, although the presidential campaign is still two years away.

Warhol told about his latest artistic effort at the Doubles Club party in New York that launched columnist Eugenia Sheppard's and celebrity herder Earl Blackwell's novel "Crystal Clear." Doubleday prexy John Sargent gave the bash, and the red and mirrored nightclub was awash with noted names — not your run-of-the-mill or punk celebrities, mind you, but such types as Walter and Betsy Cronkite, the George Plimptons, Gloria Swanson and husband William Dufty, Diana Vreeland, Valerian Rybar, Elsa Peretti, Lee Radziwill with Peter Tufo, "Swifty" Lazar — and Helena Rubinstein's Shirley Lord, of course, since the book is about a cosmetic company.

Andy, who sent the 50 new 40-by-32 inch prints of the president to the DNC's finance director Tom Beard last week, said the new portrait shows a smiling Carter instead of the serious expression portrayed on that first famous campaign portrait. It also has red, white, and blue splashed across it instead of orange.

Beard says the first 50 went for \$1,000 each and were donated by Warhol, so they raised \$50,000 for the DNC. But he doesn't think it fair to let Andy donate the new 50. Beard, the fellow from Moultrie, Ga., who got Andy to do the first portrait, says he sold 40 of the new batch (at \$1,000

Betty Beale

940

THE WHITE HOUSE
WASHINGTON

February 22, 1978

Zbig Brzezinski

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Tim Kraft

RE: MESSAGE TO ARGENTINE
PEOPLE ON THE BICENTENNIAL
ANNIVERSARY OF GENERAL JOSE
DE SAN MARTIN'S BIRTH

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
✓	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

✓	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

2/22/78

Mr. President:

Jody suggests doing both the statement and the taping, and suggests that the last three paragraphs of the proposed statement be done in Spanish. He wonders, however, whether or not this puts us too close to the present government of Argentina.

Tim Kraft says that there is no time for a taping this week.

Rick

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 21, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZS.*

SUBJECT: Possible Broadcast to Argentina on the
Bicentennial Anniversary of General Jose
de San Martin's birth

The three great heroes of independence in the Americas were George Washington, Simon Bolivar, and Jose de San Martin. General San Martin, who liberated Argentina, Chile, and southern Peru, was born on February 25, 1778, 200 years ago. The Argentine Government has informally suggested that you consider a short talk in Spanish on the anniversary of San Martin's birth. They have reminded us that their President broadcast a message of congratulations to the United States on July 4, 1932, the 200th anniversary of George Washington's birthday.

State recommends, and I concur, that it would be a very nice gesture for you to do that. They have suggested a very short text, and NSC and your speech writers have reworked it to a page. The statement draws out the principles which guided San Martin in a way which has immediate relevance for Argentina today. I attach it at Tab A. Making such a statement will clearly enhance our relations with the Argentine people.

RECOMMENDATION:

That you agree to deliver the short statement at Tab A for broadcast by the VOA to Argentina. (We will have that statement translated immediately.)

Approve _____ Disapprove _____

Or, alternatively, that we release the statement as a Presidential message to the Argentine people.

Approve ✓ _____ Disapprove _____

JR

ok
JC

Jose de San Martin Statement

The world has changed greatly in the 200 years since the birth of General Jose de San Martin, liberator of Argentina, Chile, and southern Peru.

But the principles he struggled for -- democracy and freedom from oppression -- will endure in our hemisphere as long as men and women are prepared to die in their defense.

San Martin's plans to free Argentina, Chile and Peru from their oppressors were termed folly by many of his compatriots -- and yet he turned his dreams to victory. One man's influence has seldom had a more decisive effect on the destiny of a region and its people.

He made an army from an untrained force, and infused that army with his own spirit and belief that liberty was theirs by right. His humanity was such that, even in battle, he sought to minimize loss of life on both sides.

When he had founded republics where men and women could live in freedom, he abdicated his power -- to insure that foreign tyranny would not be followed by the domestic tyranny he might so easily have established.

He sought, instead, democracy.

In so doing, he became as immortal as the democratic principles he embraced.

I hope these principles will never be forgotten by the peoples he led to freedom.



DEPARTMENT OF STATE

Washington, D.C. 20520

February 8, 1978

MEMORANDUM FOR DR. ZBIGNIEW BRZEZINSKI
THE WHITE HOUSESUBJECT: Presidential broadcast to Argentina,
February 25

The Argentine government has formally requested that the President send via the Voice of America a short message to "the People and Government of Argentina" recognizing the 200th anniversary of General Jose de San Martin's birth. General San Martin, the liberator of Argentina, Chile, and southern Peru, was born February 25, 1778. An official of the Argentine Embassy has indicated orally that the President might consider speaking in Spanish for the approximately 2 minute broadcast envisioned.

Argentine President Justo, for the 200th anniversary of George Washington's birth, broadcast a message of congratulations on July 4, 1932. General San Martin ranks with Simon Bolivar and George Washington as one of the three great heroes of the Western Hemisphere's independence movement. San Martin's birthday will be a major celebration in Argentina. Presidential participation would be greatly appreciated in Argentina; this represents a unique opportunity to address the people of that nation.

We recommend that the President send a congratulatory message to the People of Argentina, either on the Voice of America as requested or on Videotape for television broadcast. The United States Information Agency has indicated that for optimum results the message should be recorded at least one week in advance of broadcast.

A handwritten signature in dark ink that reads "David Anderson for".

Peter Tarnoff
Executive Secretary

- Attachments: 1. Draft Presidential Speech
2. Argentine Diplomatic Note

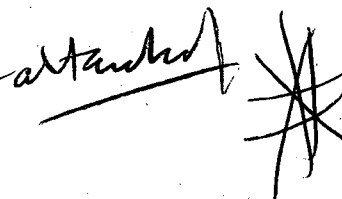
ID 780940

T H E W H I T E H O U S E

WASHINGTON

DATE: 22 FEB 78
FOR ACTION: JODY POWELL

TIM KRAFT

attached 

INFO ONLY: JOE ARAGON

FRAN VOORDE

SUBJECT: BRZEZINSKI MEMO RE POSSIBLE BROADCAST TO ARGENTINA ON
 THE BICENTENNIAL ANNIVERSARY OF GENERAL JOSE DE SAN
 MARTIN'S BIRTH

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 0500 PM WEDNESDAY 22 FEB 78 +
+++++

ACTION REQUESTED: CALL BY CLOSE OF BUSINESS TODAY

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

by 603 today

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input checked="" type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input type="checkbox"/>	<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	<input type="checkbox"/>	JORDAN
<input type="checkbox"/>	<input type="checkbox"/>	LIPSHUTZ
<input type="checkbox"/>	<input type="checkbox"/>	MOORE
<input checked="" type="checkbox"/>	<input type="checkbox"/>	POWELL
<input type="checkbox"/>	<input type="checkbox"/>	WATSON
<input type="checkbox"/>	<input type="checkbox"/>	McINTYRE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

<input checked="" type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input checked="" type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input checked="" type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

ID 780940

THE WHITE HOUSE

WASHINGTON

DATE: 22 FEB 78

FOR ACTION: JODY POWELL

TIM KRAFT

INFO ONLY: JOE ARAGON

FRAN VOORDE

SUBJECT: BRZEZINSKI MEMO RE POSSIBLE BROADCAST TO ARGENTINA ON
THE BICENTENNIAL ANNIVERSARY OF GENERAL JOSE DE SAN
MARTIN'S BIRTH

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 0500 PM WEDNESDAY 22 FEB 78 +
+++++

ACTION REQUESTED: CALL BY CLOSE OF BUSINESS TODAY

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*Release statement / (with)
(2 big should secure approval
by Pres.) haven't any
to tape
final
this week
T T*

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 21, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZS.*
SUBJECT: Possible Broadcast to Argentina on the
Bicentennial Anniversary of General Jose
de San Martin's birth

The three great heroes of independence in the Americas were George Washington, Simon Bolivar, and Jose de San Martin. General San Martin, who liberated Argentina, Chile, and southern Peru, was born on February 25, 1778, 200 years ago. The Argentine Government has informally suggested that you consider a short talk in Spanish on the anniversary of San Martin's birth. They have reminded us that their President broadcast a message of congratulations to the United States on July 4, 1932, the 200th anniversary of George Washington's birthday.

State recommends, and I concur, that it would be a very nice gesture for you to do that. They have suggested a very short text, and NSC and your speech writers have reworked it to a page. The statement draws out the principles which guided San Martin in a way which has immediate relevance for Argentina today. I attach it at Tab A. Making such a statement will clearly enhance our relations with the Argentine people.

RECOMMENDATION:

That you agree to deliver the short statement at Tab A for broadcast by the VOA to Argentina. (We will have that statement translated immediately.)

Approve _____ Disapprove _____

Or, alternatively, that we release the statement as a Presidential message to the Argentine people.

Approve _____ Disapprove _____

Jose de San Martin Statement

The world has changed greatly in the 200 years since the birth of General Jose de San Martin, liberator of Argentina, Chile, and southern Peru.

But the principles he struggled for -- democracy and freedom from oppression -- will endure in our hemisphere as long as men and women are prepared to die in their defense.

San Martin's plans to free Argentina, Chile and Peru from their oppressors were termed folly by many of his compatriots -- and yet he turned his dreams to victory. One man's influence has seldom had a more decisive effect on the destiny of a region and its people.

He made an army from an untrained force, and infused that army with his own spirit and belief that liberty was theirs by right. His humanity was such that, even in battle, he sought to minimize loss of life on both sides.

When he had founded republics where men and women could live in freedom, he abdicated his power -- to insure that foreign tyranny would not be followed by the domestic tyranny he might so easily have established.

He sought, instead, democracy.

In so doing, he became as immortal as the democratic principles he embraced.

I hope these principles will never be forgotten by the peoples he led to freedom.



DEPARTMENT OF STATE

Washington, D.C. 20520

February 8, 1978

MEMORANDUM FOR DR. ZBIGNIEW BRZEZINSKI
THE WHITE HOUSESUBJECT: Presidential broadcast to Argentina,
February 25

The Argentine government has formally requested that the President send via the Voice of America a short message to "the People and Government of Argentina" recognizing the 200th anniversary of General Jose de San Martin's birth. General San Martin, the liberator of Argentina, Chile, and southern Peru, was born February 25, 1778. An official of the Argentine Embassy has indicated orally that the President might consider speaking in Spanish for the approximately 2 minute broadcast envisioned.

Argentine President Justo, for the 200th anniversary of George Washington's birth, broadcast a message of congratulations on July 4, 1932. General San Martin ranks with Simon Bolivar and George Washington as one of the three great heroes of the Western Hemisphere's independence movement. San Martin's birthday will be a major celebration in Argentina. Presidential participation would be greatly appreciated in Argentina; this represents a unique opportunity to address the people of that nation.

We recommend that the President send a congratulatory message to the People of Argentina, either on the Voice of America as requested or on Videotape for television broadcast. The United States Information Agency has indicated that for optimum results the message should be recorded at least one week in advance of broadcast.

A handwritten signature in dark ink, appearing to read "David Anderson for".

Peter Tarnoff
Executive Secretary

- Attachments: 1. Draft Presidential Speech
2. Argentine Diplomatic Note

THE WHITE HOUSE
WASHINGTON

3:30

DATE: 22 FEB 78

FOR ACTION: JODY POWELL

TIM KRAFT

INFO ONLY: JOE ARAGON

FRAN VOORDE

SUBJECT: BRZEZINSKI MEMO RE POSSIBLE BROADCAST TO ARGENTINA ON
THE BICENTENNIAL ANNIVERSARY OF GENERAL JOSE DE SAN
MARTIN'S BIRTH

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 0500 PM WEDNESDAY 22 FEB 78 +
+++++

ACTION REQUESTED: CALL BY CLOSE OF BUSINESS TODAY

STAFF RESPONSE: (☒) I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*Why not have him do the the last
three graphs as marked in original?
Does this put us too close to the
present spirit. ~~But~~ — that may be O.K. —
I just don't know.*

972

THE WHITE HOUSE
WASHINGTON

February 22, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for delivery.

Rick Hutcheson

RE: LETTER TO SENATOR LONG

THE WHITE HOUSE

WASHINGTON

February 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE

Fm. /pd

In response to your question regarding the attached letter to Senator Long to be read at tonight's ceremony, we drafted the letter in such a way so as to praise Long without mentioning the award or the organization. Senator Curtis has called my office this afternoon to inquire about the letter he asked you for at yesterday's breakfast.

As an alternative, you could telephone Senator Long this afternoon congratulating him on the receipt of this award and thereby avoid putting anything in writing.

I am concerned, however, about offending Senators Long and Curtis. This is an admittedly obnoxious organization, but the letter is innocuous and I would recommend signing.



THE WHITE HOUSE

WASHINGTON

February 22, 1978

To Senator Russell Long

I am pleased to join in yet another
tribute to your faithful service.

Your effectiveness as a legislator is
respected by all, and your experienced
leadership and counsel are as deeply
valued by me as by my predecessors in
the Office of the President.

You richly deserve the thanks of your
fellow citizens, and this honor is a
fitting reflection of their esteem.
I send you my warmest personal regards.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter", is positioned below the word "Sincerely,". The signature is written in dark ink and is quite fluid and personal.

The Honorable Russell B. Long
United States Senate
Washington, D.C. 20510

970

THE WHITE HOUSE

WASHINGTON

February 22, 1978

Jim Fallows

The attached was returned in the President's outbox and is forwarded to you for appropriate handling.

Rick Hutcheson

BOURNE CRIME RATE REDUCTION MEMO

cc: Stu Eizenstat
Jody Powell
Peter Bourne

THE WHITE HOUSE
WASHINGTON

2-22-78

To Tim Fallowe

Discuss w Peter
Bourne crime rate
reduction & possible
reasons. Check w
others & draft 10-min.
statement. I may
use it in Savannah.

Peter's previous memo
to me was very good -

J.C.

cc Peter

969

THE WHITE HOUSE
WASHINGTON

February 22, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: B-1 VOTE

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

C
1

THE WHITE HOUSE

WASHINGTON

February 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*

SUBJECT: B-1

We are close to winning the B-1 by three votes, or losing it by 15 or 20 votes. Harold Brown and I both talked with Jim Wright. Jim is a little more enthusiastic now. Harold told him that he could make no promise on future development of a manned bomber, but was maintaining an open mind on it.

I am requesting that you make four calls. I think we can probably get three of them:

Cong. Cliff Allen (D-Tenn.) - *9/6 needed*
Cong. Ed Jones (D-Tenn.) - *will do*
Cong. Ray Thornton (D-Ark.) *probably, if needed*
Cong. Tom Bevill (D-Ala.)

NOT Bevill
~~Congressman Bevill committed to you in his last meeting with you that he would vote with you on the B-1. He is now trying to back out.~~

Jack Stevens, Vernon Weaver and other people have worked on Ray Thornton. A call from you could wrap it up. You can tell him that Jim Guy Tucker is going to vote with you and that he would not be hurt in his Senate race by being the same as Jim Guy on this issue.

Congressman Allen and Congressman Jones just need to be asked by the President.

The one-hour debate is to begin at 3:00 p.m. today.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

February 22, 1977

9:40 A.M.

MR. PRESIDENT

FOR YOUR INFORMATION, I MET
WITH GOVERNOR BYRNE THIS
MORNING CONCERNING THE
CAMDEN VA HOSPITAL ISSUE.
NO COMMITMENTS WERE MADE.

ADDITIONALLY, YOU SHOULD KNOW
THAT STU HAS A DISASTER TURN-
DOWN FOR A STORM IN NEW JERSEY.
HE DID NOT WANT THIS DISASTER
DECLARATION TO REACH YOU UNTIL
AFTER THE GOVERNOR'S VISIT.

JIM MCINTYRE

THE WHITE HOUSE
WASHINGTON

2/22/78

Mr. President:

No comments from Marshall,
McIntyre, Eizenstat or Butler.

Schlesinger's comment is
attached.

Rick

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze ^{CLS}
Bill Nordhaus *wn*

SUBJECT: Economic Effects of the Coal Strike

Under Bill Nordhaus, a team of analysts from the Departments of Energy, Labor, and the CEA have made estimates of the economic effects of an extended coal strike in the East Central (ECAR) region. While the analysts have agreed on the estimates, and Secretaries Marshall and Schlesinger have been briefed on them, the other Departmental Secretaries have not had a chance to review them.

(The estimates below do not include the loss of output, income and employment in the coal industry itself; they relate to losses elsewhere in the economy.)

1. Background

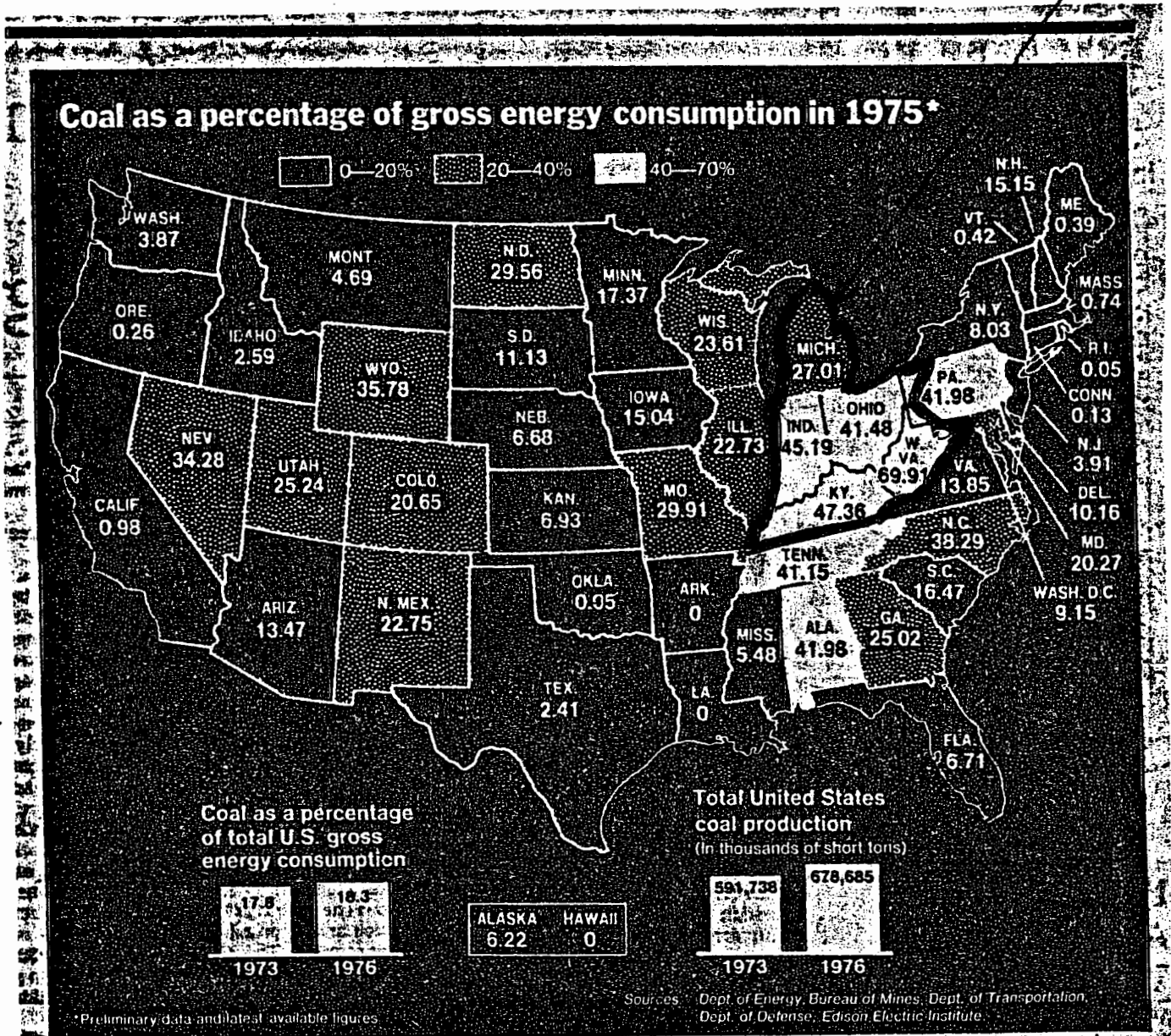
After careful review, we continue to think that the East Central region will be the major affected region. A very long strike will affect other regions and a few other states. But by and large other regions are much less dependent on coal or are receiving significant supplies of nonunion coal.

The ECAR region comprises principally Ohio, Indiana, Kentucky, Michigan, West Virginia, and the Western quarter of Pennsylvania. Of these, the supply situation is tightest in Ohio and Indiana. Michigan still has very large stocks of coal, while Kentucky is receiving a fair amount of nonunion coal. (See the attached map for the extent of the ECAR region and unofficial estimates of coal dependence of different states.)

Nonagricultural employment (thousands) in the region is as follows:

MAP SHOWING APPROXIMATE EXTENT OF ECAR REGION,
AND FRACTION OF ENERGY CONSUMPTION BASED ON COAL

East Central Region (ECAR)



Source : New York Times

	<u>Manufacturing</u>	<u>Total</u>
Ohio, Indiana	2,060	6,390
Other ECAR	1,880	6,470
Total ECAR	3,940	12,860

2. Assumptions

We have made two sets of estimates for ECAR, one based on "best-guess" assumptions and the other based on "pessimistic" assumptions. The major differences between the two sets of assumptions are:

- o Availability of stocks: The region has 29-1/2 million tons of coal in stocks. For a best-guess, we eliminated 20 percent of the stock on grounds of unsuitable quality, poor location, etc. The pessimistic estimate raises that discount to 30 percent. In both cases, in addition, we assumed that when stocks declined to 10 days of normal consumption, the stocks were no longer available for generation. Thus, the best-guess estimate of effective stocks amounts to 42 days of normal consumption; the pessimistic amounts to 35 days. We feel these are very conservative.
- o Availability of other power: Our best-guess is that the region is getting power equal to 25 percent of normal consumption from noncoal generation and wheeled-in power. The pessimistic assumption drops this to 18 percent.
- o Normal consumption: Our best-guess is that normal consumption amounts to 8.5 million megawatt hours per week. Our pessimistic assumption assumes bad weather and raises this to 8.9 million.

We have also assumed for the region as a whole a pattern of curtailments which appears to be roughly what the states are applying:

<u>Size of remaining stocks in terms of days consumption</u>	<u>Overall curtailment</u>	<u>Effective curtailment in manufacturing</u>
more than 40	5%	7%
30 to 40	10	15
20 to 30	15	25
10 to 20	35	50
less than 10	70	90

Critical to the measurement of economic impact is our belief that moderate curtailments do not have a proportionate effect on employment and have an even smaller effect on unemployment. For example, in the middle case of a 15 percent overall curtailment (25 percent in manufacturing), we assume that 8 percent of manufacturing output and 4 percent of overall output is lost due to curtailments. Some reductions can occur without any effect on output -- voluntary conservation, turning off neon signs, etc. Further reductions can occur by working shorter hours. Blue collar employees may lose part of their wages, but are not unemployed. White collar workers may not even lose wages. Only when establishments are closed down for a full week do their employees begin to appear in the unemployment statistics.

3. Results of the Analysis

Although we present estimates here for the impact of the coal strike, it must be emphasized that this is one of the most difficult economic forecasting problems imaginable. Aside from the British experience (see below), we simply have no experience on which to base our figures. They should be taken as order-of-magnitude estimates and have an error margin of a factor of about 2.

The major results for strikes of 4, 8, and 18 weeks further duration are shown in Tables 1, 2, and 3, and Figures 1 and 2 for unemployment and manhour loss in the ECAR region, as well as for the loss of GNP in the region. The major conclusions are as follows:

1. If the strike ends by the end of March, there should be no major lasting economic effects. On the pessimistic basis, unemployment for the country will probably rise in the order of 0.2 percent at the peak. GNP would be down \$1 to \$2 billion, but would be rapidly made up.

2. If the strike lasts to the middle of April, there should begin to be serious economic effects in the ECAR region. Electricity to industry will be severely curtailed. Unemployment will probably rise to the neighborhood of 1 million, and several times that number will be on short hours. On pessimistic assumptions unemployment, in the final week of the strike, could rise above 2 million. The manhour loss in the ECAR region will be running at 10 to 20 percent in the peak month. GNP loss will total \$5-10 billion, although most of that will be made up within six months. The national unemployment rate would be raised by 0.2 to 0.4 percent for the next four months.
3. In the case of a very long strike, to the end of June, the economic effects would be very severe. The coal strike model results shown probably underestimate the seriousness of the effect of a strike longer than 12 weeks by a factor of two or more. Unemployment would probably reach 3 million in the area, and would begin to spill into other areas -- the exact extent is impossible to estimate. In the region, 20 to 30 percent of manhours would be lost over the next four months, and the GNP impact for the region alone would total \$20 to \$25 billion.

You should understand the shortcomings of the analysis:

- o We have not taken into account the "linkages" from integrated production lines which may shut down later stages. For example, it has been stated that when Ohio industry is shut down, the automobile industry shortly will follow. While there is some truth in this, it is probably exaggerated. The auto industry is highly vulnerable. It is also suffering from enormous stocks of unsold cars. In addition, the bounceback will probably be virtually complete for these durable goods industries once the strike ends.
- o There are probably "pockets" of the region in worse shape than the average, and they will be more drastically affected. We have examined the question. While there will be different experiences within the ECAR region, we think the forecast is not distorted by assuming a homogeneous region.

- o We obviously cannot factor in possible problems such as localized disturbances or disorders.

So that you can get the flavor of the results and the estimated timing of different events, we have shown the time path of unemployment and manhours in Figures 1 and 2, and have given you the computer output by week in Table 4. It must be emphasized that the week-by-week timing is subject to a large margin of error.

One final point: The coal strike situation is, in many ways, analogous to the cold weather problem last winter. As you may remember, there were many cries of "alarum," but aside from a minor blip in the data in February 1977, there was no lasting economic impact. It is our feeling that if the coal strike lasts no more than another four to six weeks, the overall effect will be about the same as last year's cold weather.

4. The British Experience in 1972

The parallel between the British experience and ours is uncanny. Many observers expected the coal miners' strike in Great Britain that started on January 9, 1972 to run a smooth course and have little effect on the economy. But the 280,000 striking miners demanded a 25 percent wage hike at a time when the government had embarked upon a strong policy of "voluntary" wage controls. The government underestimated the determination of the miners to hold out. The strike lasted until the miners' demands were finally met -- a period of seven weeks.

On February 11, 1972 the government declared a state of emergency. With 70 percent of the country's power dependent upon coal (about the same as ECAR when imports are taken into account) and only a five-week supply of coal in stock (v. nine weeks today in ECAR), the government ordered a drastic curtailment of power. Advertising and display lighting were prohibited. Domestic consumers were asked to heat only one room. Commercial establishments were banned from using electricity for heating and were required to reduce lighting levels. Voltage reductions and rotating power blackouts lasting up to four hours were imposed.

The power shortage had the severest impact in the manufacturing sector, particularly in the steel, auto, chemical and heavy engineering industries. Most of these

industries were required to adopt a three-day work week. The shortened work week began to disrupt the flow of needed materials and supplies. Eventually firms had to lay off numbers of their employees. Some companies tried to squeeze a 36-hour work week out of the three production days, but this required expensive overtime pay and proved economically infeasible. Other industries closed down completely. Large continuous process industries were allowed to operate full-time but were ordered to reduce their power loads by at least 35 percent.

The transportation and communications industries were also seriously affected by the electricity shortage. Traffic signals did not function, and trains were cancelled daily -- causing massive traffic jams and confusion. Despite the difficulties of the shortage, the British adapted with little grumbling, although with decreasing willingness to reduce power consumption voluntarily.

Electricity industry officials estimate that, overall, savings amounted to 20 percent of consumption during the crisis period. Residential, commercial and industrial saved 10, 23 and 29 percent, respectively, of class consumption.

British analysts estimated that GNP dropped 1.25 percent during the first quarter of 1972 and that industrial production fell by 2.75 percent. Another estimate was that the nation lost about 0.4 percent of the nation's annual output per week during the emergency. These estimates were used in our own analysis.

By March 1 the emergency was over. The British economy rebounded very quickly. The only lasting effect was on the credibility of the government's economic policy. Whereas wage settlements had been averaging no more than 15 percent -- the government guideline -- the strikers broke the line and exacted a 25 percent rise from the government. The rate of wage and price inflation accelerated over the next few quarters, as many other industries also defied the wage guidelines.

Attachments

Table 1. Estimated effect of coal strikes of different duration,
on unemployment, ECAR region (000).

<u>Date of Ratification</u>	"Best guess"	"Pessimistic"
March 20		
Peak month	50	200
Average from present to end June	15	50
April 20		
Peak month	800 ^{1/}	1,500 ^{1/}
Average from present to end June	200	400
End June		
Peak month	3,000	3,000
Average from present to end June	1,500	2,000

Note: All estimates exclude the "snap back" expected when
the strike is over.

^{1/} Unemployment would probably be higher than this at the
end of the strike: in the "best guess" it could be 1 million;
in the pessimistic case as much as 2-3 million.

Table 2. Estimated effect of coal strikes of different duration, manhours lost (percent), ECAR region.

<u>Date of Ratification</u>	"Best guess"	"Pessimistic"	
March 20			
Peak month	1.3%	4%	<
Average from present to end June	0.3	1	
April 20			
Peak month	11%	18%	<
Average from present to end June	3	6	
End June			
Peak month	18%	30%	<
Average from present to end June	15	20	

Note: All estimates exclude the "snap back" expected when the strike is over.

Table 3. Estimated effect of coal strikes of different duration,
GNP.

<u>Date of Ratification</u>	"Best guess"	"Pessimistic"
March 18	\$1 billion	\$2 billion
April 15	\$6 billion	\$9 billion
End June	\$20 billion	\$25 billion

Note: All estimates exclude the "snap back" expected when the strike
is over.

Table 4. Illustrative Model Run for the Coal Strike Model

Assumptions: Ratification of agreement occurs in 8 weeks (April 20).

Parameters are "best guess".

ECAR Region. Excludes any "makeup" after strike.

Week number	Coal stocks (excluding poor and badly located, 10 ⁶ tons)	Days consumption, at normal rate.	Fraction of normal demand reduced, electricity in region	Fractional loss of regional gross product	Fractional loss of regional manhours worked	Fractional increase in regional unemployment	Fractional loss in regional hours	Fractional loss in Gross National Product by week	Estimate of number of workers without work by week, excluding miners and rail workers
WEEK	STOCKS	DAYS	CURT	IPGRP	PMH	PU	PH	GNP	UNIMP
1	23.0	52.	0.050	0.003	0.003	0.001	0.002	0.003	7.
2	20.7	47.	0.050	0.003	0.003	0.001	0.002	0.003	7.
3	18.5	42.	0.050	0.003	0.003	0.001	0.002	0.003	7.
4	16.2	37.	0.100	0.013	0.013	0.004	0.009	0.005	54.
5	14.2	32.	0.100	0.013	0.013	0.004	0.009	0.005	54.
6	12.2	27.	0.150	0.039	0.039	0.016	0.024	0.009	194.
7	10.4	23.	0.150	0.039	0.039	0.016	0.024	0.009	194.
8	8.6	19.	0.350	0.140	0.140	0.077	0.063	0.024	958.
9	7.5	17.	0.350	0.140	0.140	0.077	0.063	0.021	958.
10	8.1	18.	0.350	0.140	0.140	0.077	0.063	0.021	958.
11	10.3	23.	0.150	0.039	0.039	0.016	0.024	0.006	194.
12	14.3	32.	0.100	0.013	0.013	0.004	0.009	0.002	54.
13	18.1	41.	0.050	0.003	0.003	0.001	0.002	0.000	7.
14	21.7	49.	0.050	0.003	0.003	0.001	0.002	0.000	7.
15	25.3	57.	0.0	0.0	0.0	0.0	0.0	0.0	0.
16	29.0	65.	0.0	0.0	0.0	0.0	0.0	0.0	0.
17	32.6	74.	0.0	0.0	0.0	0.0	0.0	0.0	0.
18	36.3	82.	0.0	0.0	0.0	0.0	0.0	0.0	0.
19	39.9	90.	0.0	0.0	0.0	0.0	0.0	0.0	0.
Average	21.6	44.	0.108	0.031	0.031	0.016	0.016	0.006	192.

Figure 1

2/10/78 300

UNEMPLOYMENT IMPACT FROM COAL STRIKE BEST GUESS ESTIMATORS

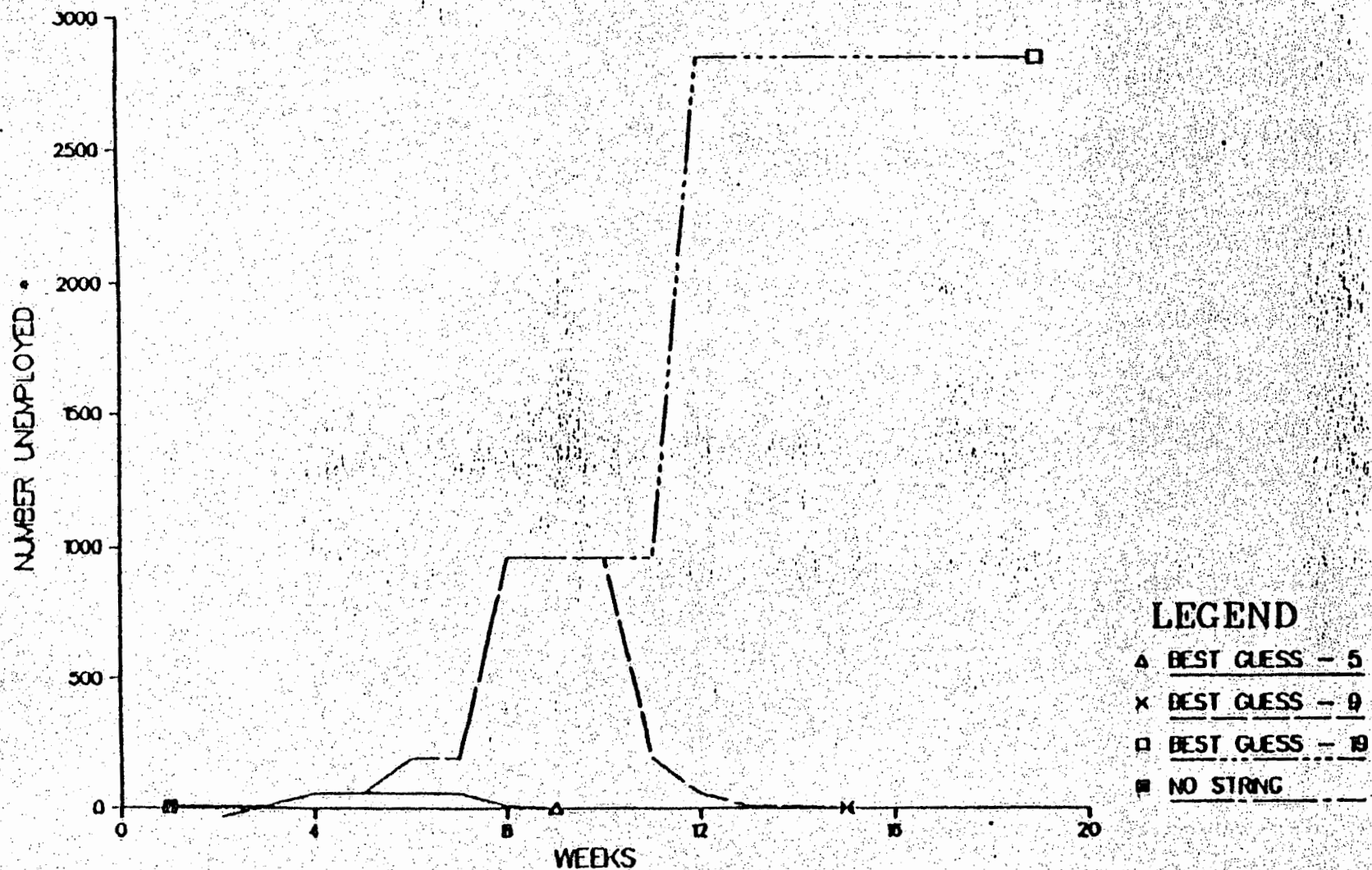
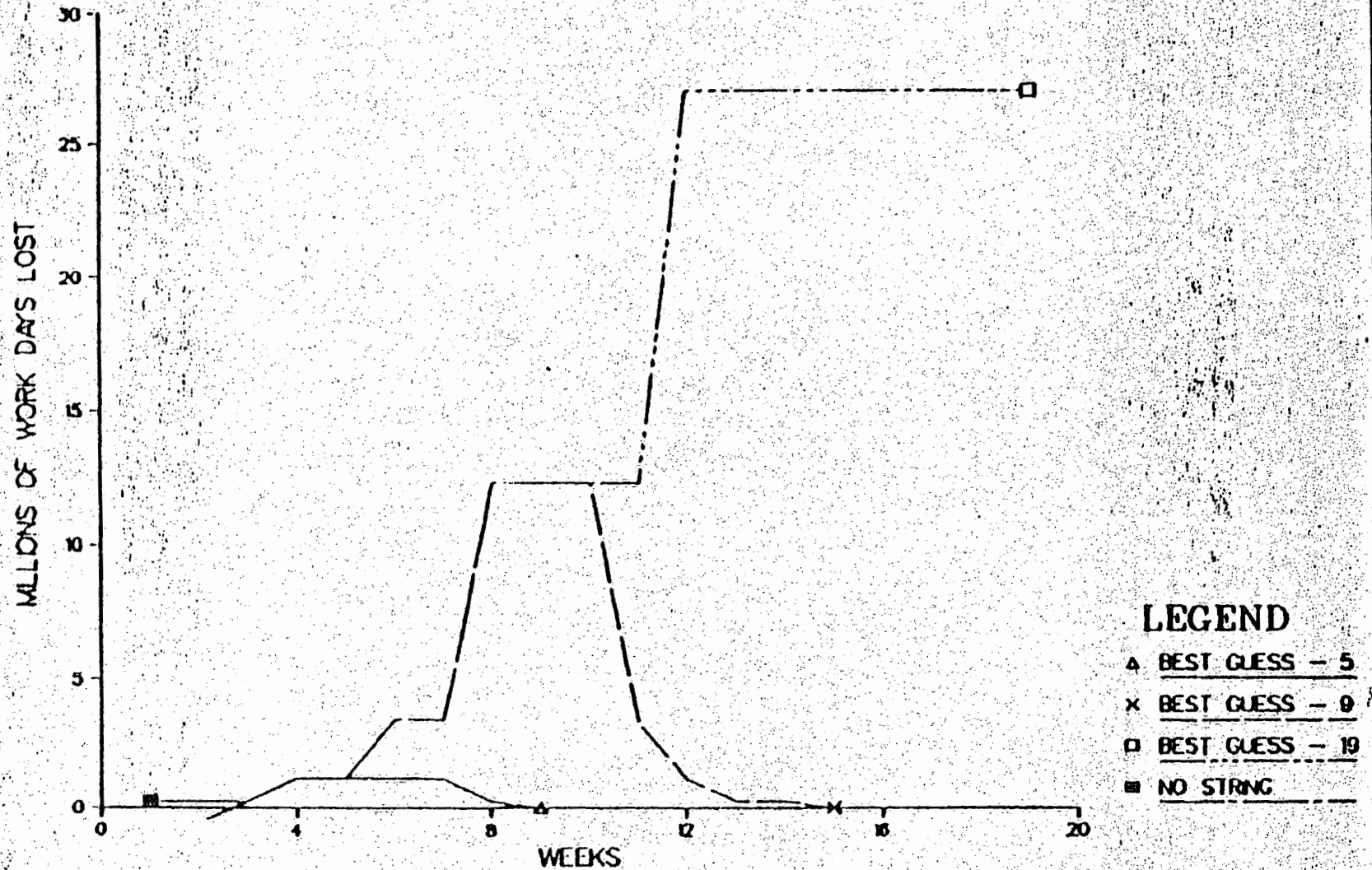


Figure 2

2/15/79 300

DAYS LOST DUE TO COAL STRIKE BEST GUESS ESTIMATORS






Department of Energy
Washington, D.C. 20585

February 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM SCHLESINGER 

SUBJECT: IMPACTS OF A PROLONGED COAL STRIKE

The recently completed interagency analysis on the potential impacts of a prolonged coal strike suggest that the effects could be very serious. This is so even without taking into consideration questions of system reliability and unemployment ripple effects outside the Mid West, neither of which are included in the analysis.

As indicated in greater detail in the attached appendix, the major conclusions to be drawn from the analysis are summarized in the following chart:

Electrical Supply and Employment Impacts

INTERMEDIATE CURTAILMENT LEVEL	RANGE OF STARTING DATES FOR ROTATING RESIDENTIAL BLACKOUTS; 90% INDUSTRIAL CUTBACKS	UNEMPLOYMENT (AT THE TIME OF 90% CUTBACKS)
None	March 25 to April 15	3 million
5 week Phase-in rising from 15% to 50% Industrial	April 8 to April 29	3 million
Immediate 50% Industrial	April 28 to June 3	3 million

The range in the dates for which 90% industrial curtailments and rotating residential blackouts would be required is related to a range of relatively optimistic and pessimistic assumptions concerning the availability of coal, electricity demand related to the weather, the availability of non-coal

generating capacity and the potential for wheeling-in power from outside the region. The unemployment estimates make no allowance for ripple effects outside the region. Thus, the direct effect of a G.M. body plant closing in Ohio is included, but estimates of unemployment associated with other G.M. plant shutdowns around the nation necessitated by the Ohio closing, are not included.

The five week curtailment phase-in most closely resembles the best estimates of actual utility curtailment plans. If the States and utilities reduce capacity on this basis, the region is only 6 weeks away from 90% industrial curtailments and rotating residential blackouts under the more pessimistic assumptions. Since some time is needed after ratification to reach full coal production, and the time between settlement and ratification could take 10 days, a settlement must be negotiated within the next 4 or 5 weeks to avoid these unprecedented curtailment levels. The more optimistic estimate, perhaps through warmer weather or greater availability of Western coal, would extend this period approximately three weeks.

On the other hand, if there is no settlement within the next month, the entire 5 state system might have to run at an average of 30% of total capacity for an extended period of time. This has never been done, and assessment of reliability at these levels is both uncertain and theoretical. Additionally, the interagency analysis assumes power homogeneity throughout the 5 state system analyzed. It is unclear how this system will respond to localized outages with resulting transmission bottlenecks that could impair power-sharing capability.

The question of whether utilities will in fact uniformly implement their curtailments as assumed in this analysis is also relevant. Even under the most optimistic assumptions, utilities in many states should currently be preparing to implement 15% industrial curtailments within the next several days, and planning to go to 25% within the next several weeks. Our best estimate of current average curtailments, however, is still 5% or less for the region as a whole, reflecting no curtailments in some states, such as Michigan, and only partial implementation in others, such as Ohio.

Conclusions

The longer curtailments are postponed, the smaller the unemployment and GNP impacts if there is a ratified settlement within the next three to four weeks. Likewise, should there be no settlement during this period, the greater the potential

risk to the maintenance of social order if residential power in major urban areas is threatened for any extended period of time because of dwindling stocks and deteriorating reliability.

This power crisis contains the ingredients for severe disruption in the Mid West. Based on the interagency analysis, I believe careful consideration should be given to:

1. Making some variation of this analysis public as part of an effort to take a more active role in pressuring states and utilities to adhere to their system-wide curtailment plans.
2. Depending on the progress of strike talks over the next week, assess the need for requesting affected states to accelerate their curtailment schedule to buy several more weeks of increased reliability and coal reserves for the purpose of insuring the maintenance of residential power through the colder weather.

An immediate industrial curtailment of 50% would add three to five weeks centered around April to the period before rotating residential blackouts are required. For a strike of extended duration (beyond early May), this accelerated curtailment approach would actually reduce average unemployment by approximately 150,000 per day. On the other hand, if the strike is settled in early April, the average increase in unemployment during this limited period would be approximately 700,000 per day.

Charlie Schultze is correct in his assessment that the economy's recuperative powers can overcome the economic losses of a strike that is settled in the next month or so. Nevertheless, the effects of a continuing strike could be devastating in terms of political and social consequences. Thus, short term efforts to insure the maintenance of reliable levels of power to residential consumers, even at the added cost of higher unemployment during a limited period, must also be assessed.

ESTIMATED UNEMPLOYMENT IMPACTS OF COAL STRIKE
(IN THOUSANDS)

<u>Likely Curtailment Strategy</u>	<u>Average Weekly Unemployment 1/</u>		<u>Peak Unemployment (Beginning)</u>		<u>Highest Four Week Average</u>	
	<u>Best Guess</u>	<u>Conservative</u>	<u>Best Guess</u>	<u>Conservative</u>	<u>Best Guess</u>	<u>Conservative</u>
Phase I: Settlement by March 8; ratification by March 17.	15	50	50 (Early Mar.)	200 (Early Mar.)	50	150
Phase II: Settlement by April 5; ratification by April 14.	200	400	1,000 (Early Apr.)	3,000 (Early Apr.)	600	1,500
Phase III: Settlement by June 14; ratification by June 23.	1,300	1,800	3,000 (Late Apr.)	3,000 (Early Apr.)	3,000	3,000
<u>Accerlated Curtailment Strategy</u>						
Phase I: Settlement by March 8; ratification by March 17.	200	300	1,000 (Late Feb.)	1,000 (Late Feb.)	1,000	1,000
Phase II: Settlement by April 5; ratification by April 14.	500	600	1,000 (Late Feb.)	1,000 (Late Feb.)	1,000	1,000
Phase III: Settlement by June 14; ratification by June 23.	1,200	1,700	3,000 (Early June)	3,000 (Late Apr.)	2,400	3,000

1/ Over 19-week projection period

RANGE OF EFFECTS OF A CONTINUING COAL STRIKE
LIKELY CURTAILMENT STRATEGY

<u>Date</u>	<u>Coal Stocks</u> (Million tons)	<u>Coal Supply</u> (Days)	<u>Curtailment Levels</u>		<u>Unemployment</u> (Thousands)
			<u>Overall</u> (Percent)	<u>Industry</u>	
Feb. 18	20.7-17.3	47-39	5-10	5-15	7-54
25	18.5-14.9	42-34	5-10	5-15	7-54
Mar. 4	16.2-12.4	37-28	10-15	15-25	54-194
11	14.2-10.2	32-23	10-15	15-25	54-194
18	12.2- 8.0	27-18	15-35	25-50	194-958
25	10.4- 6.6	23-15	15-35	25-50	194-958
Apr. 1	8.6- 5.2	19-12	35-35	50-50	958
8	7.5- 3.8	17- 9	35-70	50-90	958-2846
15	6.4- 3.7	15- 8	35-70	50-90	958-2846
22	5.4- 3.5	12- 8	35-70	50-90	958-2846
29	4.3- 3.4	10- 8	70	90	2846
May 6	4.5- 3.3	10- 7	70	90	2846
13	3.4- 3.2	8- 7	70	90	2846
20	3.6- 3.0	8- 7	70	90	2846
27	3.7- 2.9	8- 7	70	90	2846
June 3	3.8- 2.8	9- 6	70	90	2846
10	3.9- 2.7	9- 6	70	90	2846
17	4.1- 2.5	9- 6	70	90	2846

[Note: Ranges of values vary from the relatively optimistic to pessimistic assumptions described above in this appendix]

RANGE OF EFFECTS OF A CONTINUING COAL STRIKE
ACCELERATED CURTAILMENT STRATEGY

<u>Date</u>	<u>Coal Stocks</u> (Million tons)	<u>Coal Supply</u> (Days)	<u>Curtailment Levels</u>		<u>Unemployment</u> (Thousands)
			<u>Overall</u> (Percent)	<u>Industry</u> (Percent)	
Feb 18	21.1-17.7	48-40	15-35	25-50	194-958
25	19.2-10.2	43-37	35	50	958
Mar 4	18.0-14.7	41-33	35	50	958
11	16.9-13.3	38-30	35	50	958
18	15.8-11.8	36-27	35	50	958
25	14.7-10.4	33-23	35	50	958
Apr 1	13.6-9.0	31-20	35	50	958
8	12.5-7.6	28-17	35	50	958
15	11.4-6.2	26-14	35	50	958
22	10.4-4.8	23-11	35	50	958
29	9.3-3.5	21- 8	35-70	50-90	958-2846
May 6	8.3-3.4	19- 8	35-70	50-90	958-2846
13	7.2-3.2	16- 7	35-70	50-90	958-2846
20	6.2-3.1	14- 7	35-70	50-90	958-2846
27	5.1-3.0	12- 7	35-70	50-90	958-2846
Jun 3	4.1-2.9	9- 6	70	90	2846
10	4.2-2.7	10- 6	70	90	2846
17	4.4-2.6	10- 6	70	90	2846

(Note: Ranges of values vary from the relatively optimistic to pessimistic assumptions described above in the appendix)

APPENDIX

BASIS OF ECONOMIC IMPACTS

The economic and employment estimates of the coal strike were developed by an interagency group chaired by CEA and including DOE and DOL. The estimates reflect the following data and key assumptions:

- o The group started with a comprehensive data base on present coal stocks, coal consumption, coal deliveries, purchased electricity imports, noncoal electricity generation, etc., for the region most affected by the strike--Ohio, Indiana, Michigan, Kentucky, West Virginia, and Western Pennsylvania.
- o All scenarios for the length of the strike were analyzed against "best guess" and "conservative" sets of assumptions. The key assumptions include:
 - Usability of coal. (Up to 20 percent of the coal could not be used in best guess case, and 30 percent in conservative case, due to poor quality or location.)
 - Electricity consumption (8.5 million megawatt hours/week in best guess case; 8.9 million megawatt hours/week in conservative case);
 - Noncoal electricity generation (best guess case assumes 13 percent; conservative case assumes 10 percent);
 - Wheeled-in power (best guess case assumes 12 percent; conservative case assumes 8 percent).
- o Reflecting experience from the long British coal strike, the analysis assumes unemployment would be low for small curtailments, but would begin to rise quickly for industrial power cutbacks over 25 percent.
- o The analysis is based on anticipated implementation of utility curtailment plans. It assumes that utilities would gradually curtail customers (primarily industry) until they reached a 15% average

curtailment level (25 percent industrial curtailment) with twenty days of coal stocks remaining. At that point drastic cutbacks would begin, e.g., 50 percent industrial curtailment and 20 percent for residential and commercial users. With less than 10 days of stocks remaining, utilities were assumed to cut off virtually all industrial use, and to reduce residential and commercial customers by 50 percent. If utilities impose curtailments earlier than this schedule, unemployment effects would be felt sooner, but they would have a greater reserve for essential services if the strike were prolonged.

The estimated results depend on the above assumptions and the approach. Variations in the assumption--particularly the discounting of the coal stocks for bad coal and location, the extent of joint sharing of power, and the curtailment strategies--could produce significantly different results on the timing and amount of the economic impacts, either more or less favorable.

The table which follows compares the Likely Curtailment Strategy (described above) with an Accelerated Curtailment Strategy, which imposes a 50 percent industrial, or 35 percent overall, curtailment immediately, and a 90 percent industrial, or 70 percent overall, curtailment when coal stocks fall below a 10 days supply.

Finally, there are two tables which describe possible effects of the coal strike if it persists through early June. They describe ranges of values for critical variables under the Likely and Accelerated Curtailment Strategies.

ID 780929

THE WHITE HOUSE
WASHINGTON

DATE: 21 FEB 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

FRANK MOORE (LES FRANCIS)

JACK WATSON

LANDON BUTLER

SUBJECT: SCHULTZE MEMO RE ECONOMIC EFFECTS OF THE COAL STRIKE

ADMINISTRATIVELY CONFIDENTIAL

STU EIZENSTAT *nc*

JODY POWELL

JIM MCINTYRE *Cutter*

SECRETARY SCHLESINGER *Al Alvin*
he Goldman / Al Alvin - will come

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

ACTION REQUESTED: FORWARDED FOR YOUR INFORMATION

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

Handwritten notes:
- *How's for memo from Schlesinger on same subject - my copy*
- *he Goldman - new memo attached*
- *Elit Cutter needs cc*
- *Paul Terson needs cc*
- *Marshall*
- *shared go in at Noon - call around*

THE WHITE HOUSE
WASHINGTON

if you want to see me, call me at 12-1111

W. H. Rumsfeld

<input type="checkbox"/>	FOR STAFFING
<input checked="" type="checkbox"/>	FOR INFORMATION

IMMEDIATE TURNAROUND

ACTION
FYI

SCHULTZE

**Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day**

GAMMILL

WARREN

T H E W H I T E H O U S E

DATE: 21 FEB 78

INFO ONLY: SECRETARY MARSHALL

SUBJECT:

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

+++++

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

February 22, 1978

Midge Costanza
Jack Watson

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Bob Lipshutz
Jim McIntyre

RE: REVIEW OF PUBLIC PARTICIPATION IN
FEDERAL AGENCIES

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
✓		COSTANZA
		EIZENSTAT
		JORDAN
✓		LIPSHUTZ
		MOORE
		POWELL
✓		WATSON
✓		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

MEMORANDUM

THE PRESIDENT HAS SEEN.
THE WHITE HOUSE

WASHINGTON

February 6, 1978

MEMORANDUM FOR:

THE PRESIDENT

From:

MARGARET COSTANZA *MC*

Subject:

Review of Public Participation in
Federal Agencies

To encourage the "partnership between those who lead and those who elect," a review of government public participation policies seems appropriate. Since the Office of Public Liaison is in contact with large numbers of citizen groups as part of its regular business, I suggest my office undertake this task.

Recent studies and public comments indicate the federal agencies treat public participation informally and sporadically, and as an adjunct to, rather than an integral part of, policy development.

The need to provide access is particularly acute for minorities, women, ethnics and the poor because they are the beneficiaries, or victims, of many of the government decisions in which they are not now participating.

The Office of Public Liaison can gather information on the procedures used by federal agencies for public participation with special focus on policies affecting those most in need of access.

If you approve, I will advise Jack Watson so that he can inform the Cabinet members that we will be gathering this information.

APPROVE _____

DISAPPROVE _____

*cc Midge & Jack
Proceed, using as much as possible
the existing network of intergovernmental
relations officials. Don't create
another bureaucratic burden
JC*

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson
Jane Frank February 21, 1978

RE: Review of Public Participation in
Federal Agencies

We support the views suggested by Midge. However, we suggest that she begin by using the existing department network of Senior IGR Officials as the vehicle for her study. We with with these officials everyday and they know a great deal about many, if not most, issues bearing on government public participation policies.

ID 780599

THE WHITE HOUSE

WASHINGTON

DATE: 06 FEB 78

FOR ACTION: STU EIZENSTAT

JODY POWELL

JACK WATSON

*JAN E attached
WJ comment*

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

BOB LIPSHUTZ

JIM MCINTYRE

SUBJECT: MARGARET COSTANZA MEMO RE: REVIEW OF PUBLIC PARTICIPATION
IN FEDERAL AGENCIES

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM THURSDAY 08 FEB 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

*I believe that this function
might best be handled
by Jack Watson's office.*

2/8/78

BJ

THE WHITE HOUSE
WASHINGTON

2/15/78

Mr. President:

Bob Lipshutz thinks this
job is best done by Jack
Watson's office.

No other staff comments
from Jody, Stu or Jack.

Rick

THE WHITE HOUSE
WASHINGTON

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	<input type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	<input checked="" type="checkbox"/>	JORDAN
<input type="checkbox"/>	<input checked="" type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	MOORE
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	WATSON
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	McINTYRE
<input type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

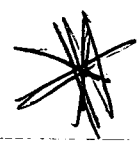
<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	GAMMILL

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input checked="" type="checkbox"/>	MITCHELL
<input checked="" type="checkbox"/>	MOE
<input checked="" type="checkbox"/>	PETERSON
<input checked="" type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

ID 780599

T H E W H I T E H O U S E

WASHINGTON



DATE: 06 FEB 78

FOR ACTION: STU EIZENSTAT *? Ben*

JODY POWELL

JACK WATSON *attached*

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

FRANK MOORE (LES FRANCIS)

BOB LIPSHUTZ *attached*

JIM MCINTYRE

SUBJECT: MARGARET COSTANZA MEMO RE: REVIEW OF PUBLIC PARTICIPATION
IN FEDERAL AGENCIES

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1000 AM THURSDAY 08 FEB 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

February 22, 1978

Hugh Carter

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: PHONE AT CAMP HOOVER

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
/	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

Mr. President:

Jack Watson concurs; the Vice President and Frank Moore's office have no comment.

Rick (wds)

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 17, 1978

*Hugh
J*

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*
SUBJECT: Telephone at Camp Hoover

Several weeks ago, you asked me to look into the feasibility of having a telephone put into Camp Hoover, Virginia, for use by the Vice President when he uses the Camp. The telephone company and the White House Communications Agency have recently advised me that the cost of installing a phone will be a \$40,400 one-time charge, plus a minimum usage charge equal to sixty months of continuous service. Apparently, Camp Hoover is very remote and quite a large amount of telephone cable would have to be installed to reach into the area where the Camp is, thus the high cost. Installation would take twenty-six weeks from the time the phone company received the order to begin installation. *Idie*

The Camp apparently is popular with Government officials, as I have discovered that along with the Vice President, Secretaries Andrus and Vance used it at different times this past summer as well as several Senate and House members, and a few other Government officials. In addition, it is open to anyone from the public who wants to use it. At present, the nearest land-line telephone is about seven miles away at a fire tower. The fact that Cabinet and Congressmen have used it certainly adds to the justification for having telephones installed. If they were installed, there would be some problems, though not unsolvable, with controlling the use of the phones since the public also uses the Camp.

At present when the Vice President is visiting there, the White House Communications Agency installs radio-telephone patch type communications, meaning that they install a radio at Camp Hoover which broadcasts to another radio at the fire tower seven miles away, which then patches into the telephone land-line system. In addition, they install signal land-line phones at the fire tower for use if one wants to drive the seven miles to get to them.

-2-

Of course, this does not provide for secure-type communications, but neither does any type of non-secure telephone system. Considering (a) that you, as well as the Vice President are both occasionally in situations where your primary communications are radio-telephone patch systems, and that Camp Hoover would not be the only situation of this type that the Vice President is in, and (b) the fact that the Vice President's staff advises me that his use of Camp Hoover will be relatively limited, I question the feasibility of spending this high amount of money on a land-line telephone. I suggest that we continue to use the radio-telephone patch system.

OPTIONS

1. Install land-line telephones _____
2. Continue to use the radio-telephone _____ ✓

JC

ID 780871

T H E W H I T E H O U S E

WASHINGTON



DATE: 17 FEB 78

FOR ACTION: THE VICE PRESIDENT *[ac by mem - Mil. Sec.]* FRANK MOORE (LES FRANCIS)

JACK WATSON *concur*

nc by mem

INFO ONLY:

SUBJECT: CARTER MEMO RE TELEPHONE AT CAMP HOOVER

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM MONDAY 20 FEB 78 +

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

✓	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
✓		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
✓		MOORE
		POWELL
✓		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
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	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

ID 780871

T H E W H I T E H O U S E

WASHINGTON

DATE: 17 FEB 78

FOR ACTION: THE VICE PRESIDENT FRANK MOORE (LES FRANCIS)

JACK WATSON 1978 FEB 17 PM 12 03

INFO ONLY:

SUBJECT: CARTER MEMO RE TELEPHONE AT CAMP HOOVER

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM MONDAY 20 FEB 78 +
+++++

ACTION REQUESTED:

STAFF RESPONSE: (✓) I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

J Watson

961
THE WHITE HOUSE

WASHINGTON

FOR THE RECORD

HAMILTON WAS GIVEN INFORMATION
COPY

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
	/	JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

SUMMARY OF MI (NON-CONGRESSIONAL) MAIL TO THE PRESIDENT

DATE February 21, 1978

PAGE 1

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FROM	SUBJECT	DISPOSITION
John W. Gardner Former Secretary - HEW Washington, D. C.	Recommends reappointment of John Florez to the National Advisory Committee on Juvenile Justice and Delinquency.	Jim Gammill Pres. Personnel
Walter B. Wriston Chairman Citicorp New York, New York	In response to President's request for input expressed at a meeting of the Business Council, writer opposes new reporting requirements imposed by various Federal bank regulatory agencies.	Nancy Dorman Domestic Policy Staff
Leonard H. Goldenson Chairman of the Board American Broadcasting Companies, Inc. New York, New York	"My warmest and deepest appreciation to you for sending that thoughtful letter congratulating ABC and myself on the 25th Anniversary of our company."	Jody Powell Press
Paul Mountcastle Chairman of the Board Life and Casualty Insurance Company of Tennessee Nashville, Tennessee	Opposes Panama Canal Treaties.	Z. Brzezinski NSC
Rabbi Joseph P. Sternstein President Zionist Organization of America New York, New York	"On behalf of the Zionist Organization of America and in celebration of the State of Israel's Thirtieth Anniversary, I most cordially invite you to join us at Dinner on Tuesday evening, June 6, 1978 at the Washington Hilton Hotel in tribute to a distinguished American, Mr. George Meany."	Scheduling Copy to Joyce Starr Public Liaison

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for Preservation Purposes

11:20 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

February 21, 1978

MEETING WITH REP. ROBERT GARCIA (D-N.Y. 21)

Wednesday, February 22, 1978

11:20 a.m. (5 minutes)

The Oval Office

From: Frank Moore

J.M./pd.

I. PURPOSE

To congratulate Rep. Garcia on his election and urge him to support the Administration's position on the B-1 bomber.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: Rep. Bobby Garcia was a New York state senator who was elected on February 14, 1978, to fill the unexpired term of Herman Badillo who resigned to become a deputy mayor of New York City. Rep. Garcia had the full backing of Mr. Badillo, Rep. Jonathan Bingham (D-N.Y. 22), and other members of the New York delegation. Although Rep. Garcia has always been a Democrat and was sworn in as a Member of the House of Representatives as a Democrat, he was not selected to be the Democratic nominee in the election and ran as a liberal Republican. He is a liberal and served as Deputy Minority Leader (Democratic minority) in the New York State Senate. He was a very active state senator and was well respected in Albany. He has always been a spokesman for the Puerto Rican community in New York City and was particularly active in rehabilitating the Hunts Point market area in the South Bronx.

Rep. Garcia has announced to the press in New York City that he plans to strongly insist that the Administration's South Bronx plan be provided more funds. In his press statement, he pointed out the high unemployment and welfare rates in his district and that private investment money there was almost nonexistent. Thus, public funds are the only cure. You visited Rep. Garcia's district last year with Secretary Harris and then Rep. Badillo.

Rep. Garcia has been assured of an appointment to the Banking, Finance and Urban Affairs Committee.

B. Participants: The President, Rep. Bobby Garcia, Frank Moore, and Jim Free.

C. Press Plan: White House photographer.

III. TALKING POINTS

1. The vote on the B-1 bomber is scheduled for Wednesday afternoon. Urge Rep. Garcia to support your position on this most important issue.
2. See attached memorandum from Jack Watson regarding the South Bronx plan.

THE WHITE HOUSE

WASHINGTON

February 21, 1978

MEMORANDUM FOR FRANK MOORE

FROM: JACK WATSON *Bruce (for Jack)*
SUBJECT: President's Meeting with
Congressman Garcia

In your briefing memorandum to the President for his meeting tomorrow with Congressman Garcia you may want to include the following paragraphs about the South Bronx redevelopment effort:

"Our 9-agency Federal steering committee has analyzed the South Bronx plan drafted by the City last fall (The plan needs more work.) and has prepared a coordinated response which includes tentative Federal commitments to fund additional manpower training efforts, to provide public works grants and business development loans, to provide a limited amount of new housing assistance, and to help the City with parks, transportation and security planning for the South Bronx. We held informal meetings with newly-appointed City officials last week to discuss these Federal initiatives and to outline the steps the City should take, stressing in particular the need for an effective and coordinated delivery structure.

Shortly after our discussions with City officials, Garcia, Herman Badillo's hand-picked successor, won the South Bronx congressional race. At the same time, Deputy Mayor Badillo announced his intention to push for an expanded Federal dollar commitment to the South Bronx. Badillo's aides participated in our informal discussions with City officials and were apparently disappointed with the funding levels discussed, particularly in the housing area where there is very little discretionary money left for this fiscal year. Garcia probably shares Badillo's concern about funding commitments.

This pressure for additional Federal money is unrealistic. Never has a promise been made to mount a heavily-funded Federal effort in the South Bronx. We need a cooperative Federal, State and local effort that relies on revitalization activities already underway and is based on realistic, detailed planning done by the City. The City has not yet provided us with an adequate, long-range development plan, but will be working with us to prepare one during the coming year.

Shorter term projects to be pursued during this planning phase will be modest in scope and targetted carefully. The Mayor and other City officials agree that this is the way to proceed. The City departments are now choosing viable short-term projects and mapping out their planning needs. Mayor Koch has set-up a South Bronx coordinating council, which he personally chairs, and has given his unqualified backing to the South Bronx project, at least publicly.

We hope to hear from the City about short-term projects and its longer-range planning needs during the next week or so. The quality and timeliness of the City's response to our meetings is critical to the future success of this project and will be a key factor in our judgment as to where we go from here in the South Bronx. The Steering Committee will discuss the City's response, and the results of these discussions will be presented to you before we meet with the Mayor to finalize plans. (This meeting with the Mayor should take place in early March if the City sticks to its schedule.) Perhaps Congressman Garcia could help us by urging the Mayor and newly-appointed City officials to move ahead quickly in firming up their plans for the South Bronx."

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 21, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze

SUBJECT: Meeting with Economic Advisers and Federal
Reserve Board Chairman (Quadriad)

I am attaching to this memo a longer summary of recent developments in the economy that I would commend to your attention when your schedule permits. Portions of it which I have referenced in this cover note, may be useful to you in preparing for the Quadriad meeting tomorrow at noon. In this memo I will try to describe the issues worth discussing at tomorrow's luncheon.

As you know, Dr. Burns remains in the chairmanship of the Federal Reserve Board pending the confirmation of Mr. Miller. The meeting of the Federal Open Market Committee previously scheduled for today has been postponed until Tuesday, February 28 in the hope that Mr. Miller will be confirmed by that time and can chair the meeting. This remains uncertain. In any event, Dr. Burns will remain a member of the Board through that meeting and his general views and outlook will have much weight.

Discussion at the meeting on Wednesday, February 22 might center on the following areas:

1. implications of recent economic data;
2. the general outlook for monetary policy;
3. deposit flows at financial institutions and possible adjustments of regulatory ceilings on deposit interest rates.

1. The Outlook and Recent Economic Data

The attached memo provides a review of recent developments in the domestic economy. The first 4 pages, in particular, provide background on recent economic data relating to the outlook.

2. The General Outlook for Monetary Policy

The discussion commencing on page 6 of my review memorandum outlines Federal Reserve actions to raise interest rates

early in January in a step publicly identified as intended to support the faltering international exchange value of the dollar. This resulted in 0.2 to 0.3 percentage point increases in interest rates across the board. Growth rates in the monetary aggregates have remained moderate and within target ranges as shown on the attached charts.

There are a number of uncertainties impinging on monetary developments at the current time:

- (a) fluctuations in the foreign exchange value of the dollar which were substantial through mid-January and erupted again last week at the time of international meetings in Paris;
- (b) the puzzling January statistics;
- (c) fears of inflation, heightened by the increase in the minimum wage and payroll taxes which went into effect in January (see pages 5-6 of my review memorandum).
- (d) developments pertaining to velocity of money, specifically:
 - o During the last three quarters of 1977 velocity growth appeared to be slowing, in contrast to the unusually rapid growth in the 1974-76 period.
 - o So far in the first quarter of this year, however, velocity growth appears to be somewhat on the high side once again, although it is very early to say.

Under the normal schedule the FOMC at next week's meeting would decide on new target ranges for growth in the monetary aggregates, extending from 1977-IV to 1978-IV, and those ranges would be announced to Congress shortly after the meeting. (The current ranges are shown in the heading of each of the attached charts.)

This could be a particularly difficult time to set the targets since the new Chairman may not yet be aboard when the decision is taken.

Chairman Burns may argue that weakness in the dollar and fears of inflation require targets at least as tight or tighter than those announced last quarter. I think there are some counter-arguments suggesting either, (i) holding the ranges as they are, or (ii) widening them symmetrically;

- o The volatility of the growth in velocity in recent quarters has made it difficult to predict what any given growth of M_1 or M_2 will do to credit conditions and interest rates. A wider band for the target ranges would give the Fed more flexibility and reduce speculative gyrations in interest rates, which can occur as M_1 or M_2 approach the upper and lower bounds.
- o Tightening up on the monetary targets won't really help the dollar. There is already a wide interest rate differential in favor of holding dollars.
- o Most of the factors bearing on inflation this year are institutional ones -- the higher minimum wage and payroll taxes -- which will not be significantly affected by overall monetary and fiscal policies. It would be most unfortunate to sacrifice real output objectives in the name of inflation control without giving your anti-inflation program a real test. Endorsement and support of that program by the Chairman would be very helpful.

3. Deposit Flows and the Availability of Mortgage Credit

Higher interest rates on marketable securities, such as Treasury securities, make these investments strong competitors for funds relative to deposits at banks and thrift institutions. As interest rates on these securities climb beyond a certain point, flows of funds into time and savings accounts shrink. In turn, the availability of mortgage credit falls. The interest rates that can be offered on time and savings deposits are limited by two factors: (a) what these institutions can earn on their loans and other assets, and (b) regulatory ceilings on rates paid to depositors, which are set by the Federal Reserve, the Home Loan Bank Board and the FDIC. (In the case of the Federal Reserve, the ceiling-setting regulation is known as Regulation Q.) Different ceilings apply to different types of deposits and to different maturities and, by law, the interest ceilings applying to thrift institutions (institutions other than commercial banks) must be at least one quarter point higher than those for commercial banks.

Currently, most depository institutions are paying the legal ceiling rates. The earnings on their existing mortgage portfolios and other assets are probably such that they could pay somewhat higher deposit rates if permitted to do so. Yields on Government securities are now higher than the ceiling rates on most types of deposits; the exceptions are long-term deposits or certificates, particularly at thrift institutions.

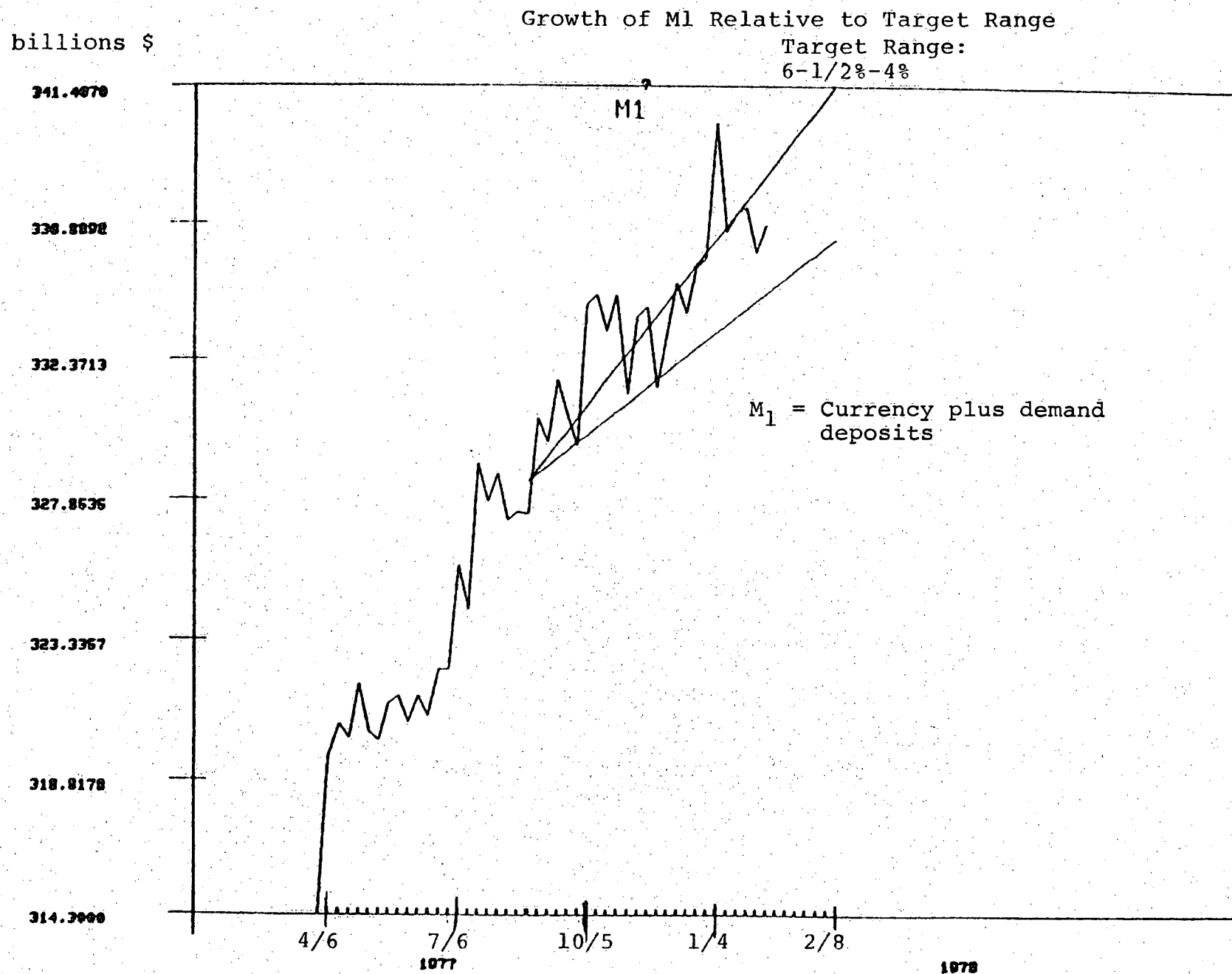
In view of this adverse yield spread, which developed when interest rates rose last fall, it is not surprising that the growth of deposits has slowed. As noted in my review memorandum, deposit growth at mutual savings banks and savings and loan associations slowed from an exceptionally rapid 15 percent annual rate in the third quarter, to 11 percent in November, 9 percent in December and just under 7 percent in January. These are not strikingly slow rates, but a continuation of the January rate or lower would pose some threat to the availability of mortgage credit. More than half of all mortgage credit outstanding on 1-4 family homes is held by these institutions. In 1973-74 when market interest rates rose sharply, regulatory ceilings were eased somewhat but financial institutions earnings were not adequate to permit them to raise their deposit rates fast enough to keep up with market rates. Deposit growth at these institutions fell to 5-1/2 percent in 1974 and between 1972 and 1974 the amount of credit they extended dropped by more than 40 percent.

We do not anticipate a problem anywhere near this serious in the near future. In the absence of sharp further increases in interest rates, yield spreads will not be as adverse as in 1973-74 and the earnings of the thrifts are better. But the possibility exists that some adjustments of regulatory ceilings could become desirable in the near future in order to permit these institutions to compete for funds and in order to permit small savers, for whom time and saving deposits are the most accessible investment, to obtain returns more nearly equal to those available to the wealthy.

We might discuss with Chairman Burns the circumstances under which an adjustment of ceilings would be desirable and what kind of adjustments he thinks most appropriate. He may welcome your interest since it will be desirable for the three regulatory agencies (Fed, FHLBB and FDIC) to move together and the Administration could help to encourage such coordination. (Technically, FHLBB must move if the others are to do so since

the ceilings pertaining to thrifts must be raised to preserve the one-quarter point differential in the event of higher ceilings for banks.)

February 16, 1978



February 16, 1978

Growth of M2 Relative to Target Range

billions \$

Target Range:

6-1/2%-9%

M2

$M_2 = M_1$ plus time deposits
at commercial banks
(except large certificates
of deposits)

831.8737

818.7614

805.2491

793.7369

781.2246

769.7123

758.2000

4/6

7/6

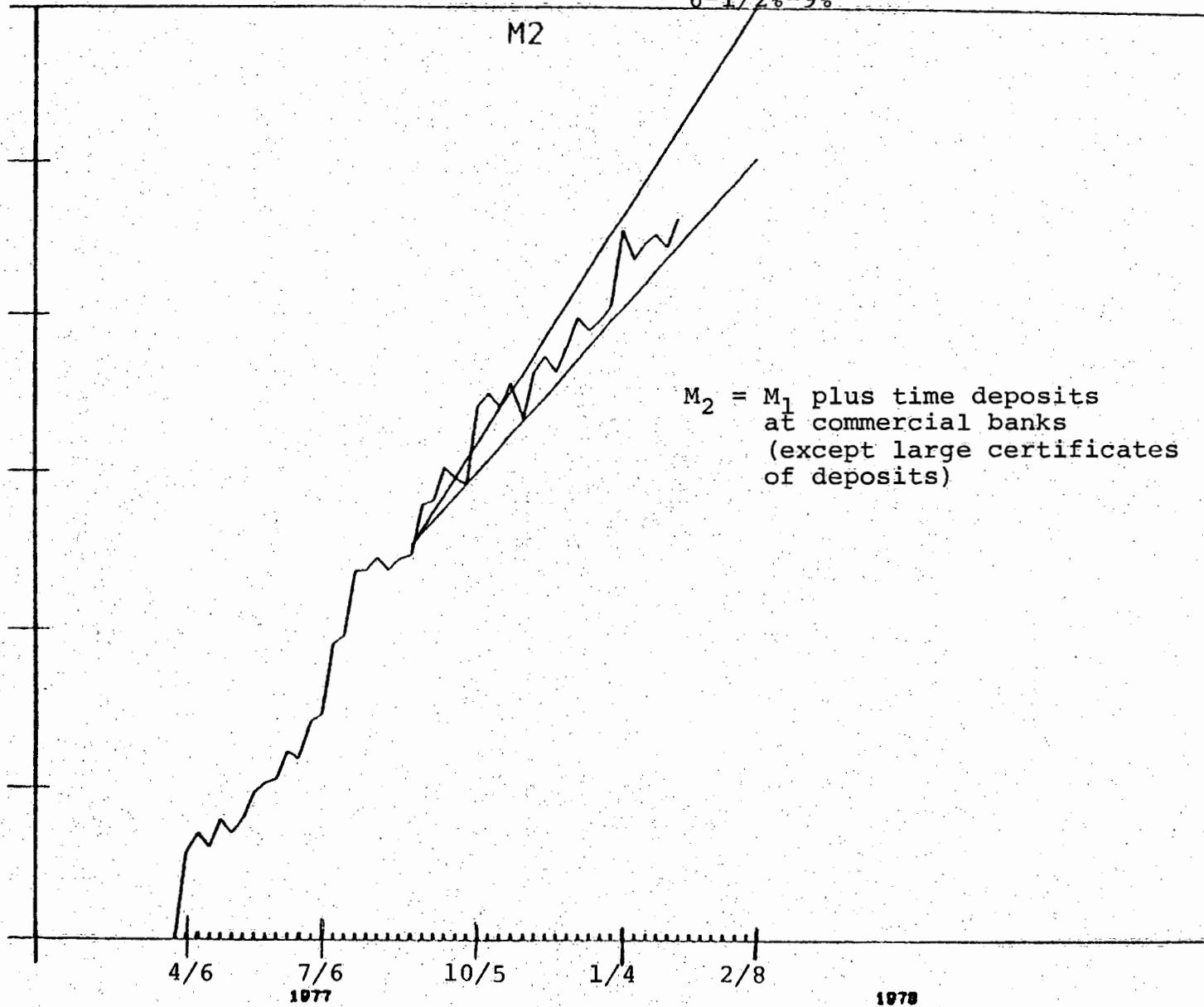
10/5

1/4

2/8

1977

1978

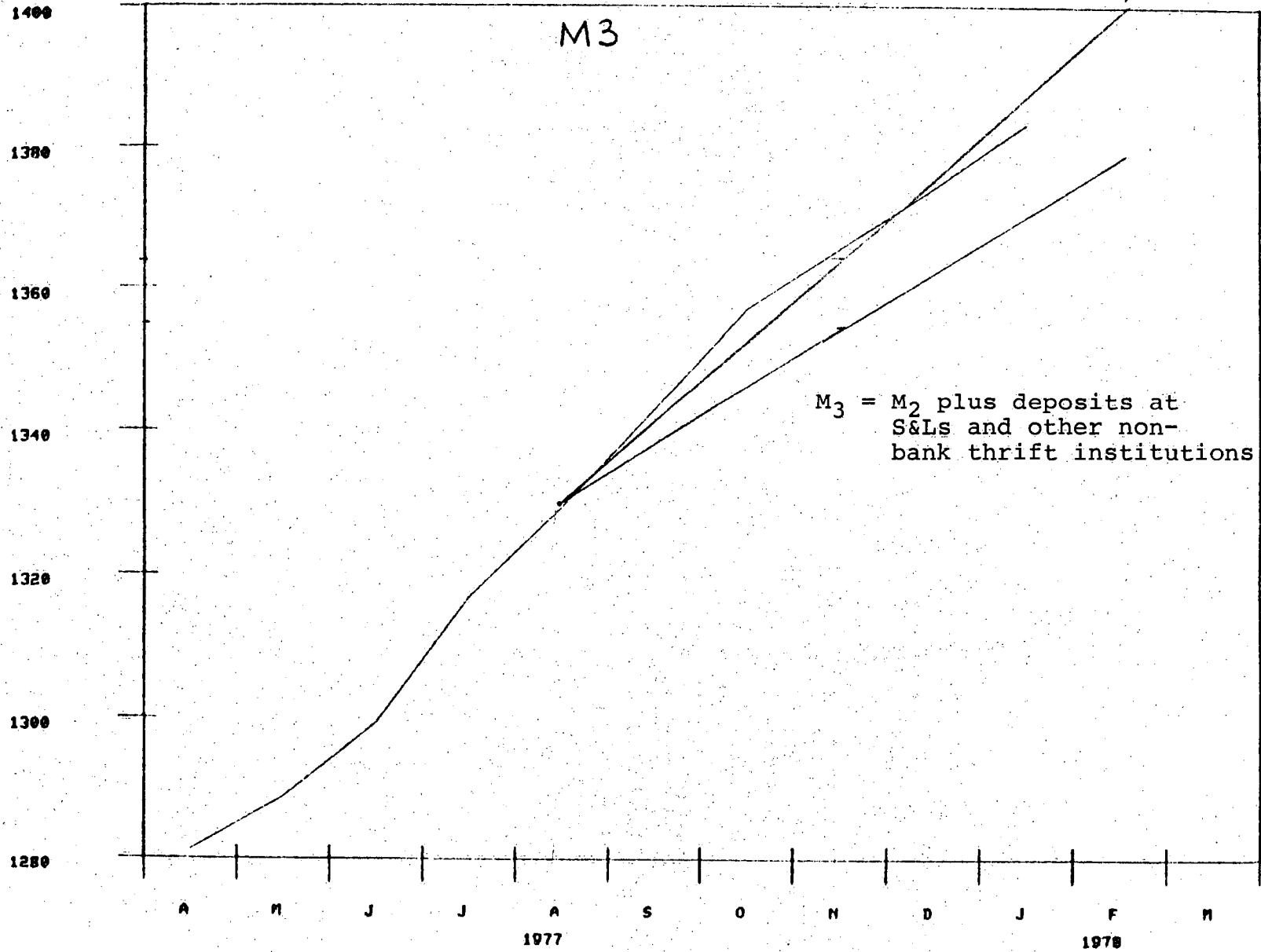


February 16, 1978

Growth of M3 Relative to Target Range

billions \$

Target Range
8% - 10-1/2%



THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 21, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze *CLS*
Subject: Review of Recent Developments in the
Domestic Economy

Developments late last year give rise to widespread expectations that economic activity would be moving up at a relatively strong pace early in 1978. Consumer spending rose dramatically in the fourth quarter, and businesses did not immediately adjust production schedules. The rate of inventory investment declined appreciably, and ratios of stocks to sales also fell. Increased production to replenish stocks was therefore expected to give a strong, but temporary, stimulus to economic activity early this year.

The only major sector in which activity was expected to lag was autos. Auto sales in the fourth quarter were below manufacturers' expectations, and production schedules for the first quarter of 1978 had to be revised downward to avoid a substantial buildup of stocks.

Economic Activity in the First Quarter

Incoming statistics of the past month or two are not inconsistent with the hypothesis that the economy entered 1978 on a strong tone, but they do not provide confirmation of this expectation either. Adverse weather, combined with the coal strike, is producing economic statistics that are very difficult to interpret.

Statistics suggesting that growth in economic activity will be larger in the first quarter than in the fourth quarter of last year are the following:

- Employment gains for November through January were very large and widespread. Nonfarm employment rose by more than 900 thousand over the three months, and was up more than 300 thousand in manufacturing. Businesses would not add to their work forces in these dimensions unless they were planning higher production for a longer period than just a month or two.

- New orders for durable goods, which lead production, increased at an average monthly rate of 4 percent in the fourth quarter. Omitting long lead-time items such as capital goods, the increase is still very large -- 2 percent a month, on average.
- Housing starts increased by 9 percent from September to December. The effects on residential construction will carry over into the first quarter of 1978.

The most recent statistics becoming available, however, have not been good news.

- Aggregate hours worked fell sharply in January (by 1.4 percent in manufacturing), even though employment rose.
- Partly reflecting the drop in hours worked, industrial production fell 0.7 percent in January, following a small increase (0.2 percent) in December.
- Retail sales dropped 3.1 percent in January in early estimates; declines were widespread by type of product. Auto sales were down very sharply.
- Housing starts plummeted nearly 30 percent in January, and were down in every major region of the country.

The weather was very bad over major parts of the country, with floods in the West as well as major snowstorms in the Midwest and the East. Most of the bad economic news is probably weather-related, but not all of it. In particular, the weakness in auto sales predates the weather problem, and the January drop in housing starts is too widespread to be entirely weather-related. Unfortunately, there is no way we can separate the effects of weather from more fundamental factors affecting the economy. We will simply have to wait until additional data clarify what is really going on.

Monthly Changes in Economic Indicators

	<u>Nonfarm employment</u> ^{1/} (thous.)	<u>Mfg. employment</u> (thous.)	<u>Total hours worked in mfg.</u> (percent)	<u>Industrial production</u> (percent)	<u>Wage and salary disbursements</u> (percent)	<u>Retail sales</u> (percent)	<u>Housing starts</u> (percent)	<u>New orders for durable goods</u> (percent)
Oct. 1977	139	54	0.6	.3	1.6	3.0	6.3	5.9
Nov. 1977	343	49	0.4	.3	0.8	1.3	-2.0	-0.8
Dec. 1977	187	164	1.0	.2	0.4	0.6	4.7	6.5
Jan. 1978	253	104	-1.4	-.7	1.1	-3.1	-29.4	n.a.

1/ Based on survey of employers.

Developments of Longer-Range Significance

While the January statistics do cloud the crystal ball even more than usual, we do not yet see any reason to alter appreciably our forecast for 1978. There are several areas we shall be watching with particular attention.

- o Consumer confidence appears to be holding up well, though the two principal surveys tell somewhat different stories. The saving rate may increase somewhat more in 1978 than we allowed for, however, because of weakness in auto sales.
- o Setting aside the puzzling, and partly cold weather-induced January housing starts, demand for both new and existing housing has been outrunning our predictions by a considerable margin. Sales of existing houses moved up steadily throughout 1977, and in December, unit sales were 19 percent above a year earlier. New home sales in December were 11-1/2 percent above a year earlier. But a high level of housing sales and starts is not likely to be maintained, if the availability of mortgage money tightens significantly. (This issue is discussed below.)
- o Indicators of business fixed investment are still a mixed bag. The Commerce survey of business fixed investment plans, released in early January, suggests less real growth in 1978 than in 1977. Some other indicators, on the other hand, suggest a more optimistic outlook for capital spending. For example, new orders for nondefense capital goods (in current dollars) increased almost 10 percent in the fourth quarter. All of the available data on prospects for business investment predate the announcement of your tax proposals, so that we have no basis for ascertaining whether businesses are changing their plans because of the proposals.

Price Developments

Price developments of recent months have not been comforting. During the summer months of last year, price increases were moderate at both the wholesale and consumer levels (see attached table). Food price developments were

Prices and Wages

	<u>Wholesale Prices</u>			<u>Consumer Prices</u>		<u>Average Hourly Earnings</u>	
	Total	Farm Prod.	Finished Goods	Total	Excluding Food & Fuel	1-Month Change	12-Month Change
Jan. 1977	.5	0.6	.6	.8	.9	1.0	7.2
Feb. 1977	1.1	2.3	1.0	1.0	.6	.3	7.0
Mar. 1977	1.1	3.1	.8	.6	.5	.5	7.0
Apr. 1977	1.0	2.6	.7	.8	.6	.7	7.2
May 1977	.4	-2.6	.8	.6	.6	.4	7.0
June 1977	-.5	-5.5	.1	.6	.6	.5	7.1
July 1977	.1	-2.2	.2	.4	.5	1.0	7.5
Aug. 1977	.2	-3.3	.2	.3	.3	.2	7.1
Sept. 1977	.3	-.4	.4	.3	.3	.7	7.3
Oct. 1977	.6	1.3	.6	.3	.3	1.0	7.9
Nov. 1977	.7	3.1	.6	.5	.4	.4	7.6
Dec. 1977	.4	-.3	.5	.4	.6	.4	7.5
Jan. 1978	.9	1.7	.6	n.a	n.a.	1.2	7.7

partly responsible but moderation also occurred in other areas. Short-term price trends are always hard to interpret; however, it seems reasonable to attribute the temporary moderation of price increases partly to the slowdown.

As the economy began to come out of the doldrums, price increases began to move up again. At the wholesale level, the higher rate of price increase since October stems from rising prices of sensitive raw materials and also from the turnaround of farm prices. At the consumer level, one factor in the higher rate of price increase late in 1977 was the sizable upward movement in prices of new cars. This stemmed in part from the effects of the depreciation of the dollar on prices of foreign imports -- which has permitted domestic car producers to raise the prices of their small cars.

We have no reason yet to believe that the underlying rate of inflation (as measured by the CPI excluding food and fuel) has broken out of the 6 to 6-1/2 percent range that has prevailed since mid-1975. One development that we will need to watch closely, however, is the recent trend of average hourly earnings (also shown in the table). Monthly movements in this index are very erratic (the large January 1978 increase reflects the rise in the minimum wage). Year-over-year increases, however, have been generally moving up since the middle of last year. If this trend continues, unit labor costs will rise in 1978 by substantially more than 6 to 6-1/2 percent, and the underlying rate of inflation would then be likely to increase.

Financial Developments

Financial markets have experienced a degree of turmoil early this year. Early in January, the Federal Reserve raised the discount rate from 6 to 6-1/2 percent as a move to strengthen the dollar in foreign exchange markets. It also increased its target for the Federal funds rate (the rate it controls to affect the money supply) from 6-1/2 to 6-3/4 percent.

Market interest rates reacted strongly. Short-term yields jumped about 1/2 percentage point in a single day and have generally stayed at those higher levels. The reaction in long-term rates was somewhat slower but quite sizable. Most long-term rates are now about one-third of a percentage point higher than at the end of December.

Since early January, the Federal Reserve has marked time -- developments with regard to M_1 have not been such as to give rise to any further tightening measures. Data from recent weeks indicate that the average level of M_1 in February may be somewhat below the January level, and only moderately above the December 1977 level. However, it seems probable that M_1 growth will resume relatively soon at a fairly brisk pace, so that the Federal Reserve will have to decide whether to push interest rates up further or whether to permit money growth to exceed its announced targets.

Though interest rates have not changed much in recent weeks, financial markets are still very nervous -- partly because of the continuing drop in the value of the dollar in exchange markets. Market participants generally expect significant further increases in interest rates in 1978. This expectation has been one factor casting a pall over the stock market, where prices have continued to decline.

The level of short-term interest rates in January was almost three-fourths of a percentage point above that prevailing in September of 1977. At today's rates, short-term market securities are now an attractive investment for many individuals.

As a consequence, inflows of savings to commercial banks and nonbank thrift institutions -- which are a major source of funds to finance housing -- have declined appreciably. Deposit inflows to these institutions began to shrink late in 1977 (see attached table) and fell further at nonbank thrift institutions in January.

These savings flow developments pose no immediate threat to the housing industry. Mortgage loan commitments outstanding are large, and the savings institutions are in a relatively liquid condition. If savings inflows should continue to recede, however, housing would be adversely affected in the latter half of 1978.

We are watching this situation closely. If savings inflows continue to be weak, the Federal regulatory authorities (the Federal Reserve, the FDIC, and the Federal Home Loan Bank Board) may need to increase regulatory ceilings on the rates that can be paid by savings institutions on their deposits. Profits of these institutions are high enough so that they can afford to pay more without undue difficulty.

Increase in Time & Savings Deposits
(Percent, Annual Rate)

		<u>Commercial Banks</u>	<u>Mutual Savings Banks and Savings & Loan Institutions</u>
1977	Q ₁	14.0	13.3
	Q ₂	9.8	10.9
	Q ₃	10.9	15.2
	Oct.	8.6	14.9
	Nov.	9.0	11.3
	Dec.	4.3	9.3
1978	Jan.	8.9	6.9

Summary

The performance of the economy so far this year has been difficult to interpret. We see no reason yet for modifying our forecast for 1978. We still think that growth of real GNP this year will be in the 4-1/2 to 5 percent range. Developments with regard to both prices and interest rates are worrisome, but as yet do not pose a serious threat to continuance of strong recovery.

959

THE WHITE HOUSE
WASHINGTON

February 22, 1978

Jack Watson

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: ELIMINATION OF BUDGET FOR
SOUTH JERSEY/CAMDEN VA
HOSPITAL

THE WHITE HOUSE
WASHINGTON

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<input type="checkbox"/>	FOR INFORMATION
<input checked="" type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI
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MONDALE
COSTANZA
EIZENSTAT
JORDAN
LIPSHUTZ
MOORE
POWELL
WATSON
McINTYRE
SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to
Carp/Huron within
48 hours; due to
Staff Secretary
next day

ARAGON
BOURNE
BRZEZINSKI
BUTLER
CARP
H. CARTER
CLOUGH
FALLOWS
FIRST LADY
HARDEN
HUTCHESON
JAGODA
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<input type="checkbox"/>	PETTIGREW
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<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE PRESIDENT HAS SEEN.

11:25 AM

THE WHITE HOUSE
WASHINGTON

February 21, 1978

*Jack - This
is not an
objective analysis
of the hospital
issue
J*

MEMORANDUM FOR THE PRESIDENT

FROM: JACK WATSON *Jack*

SUBJECT: Meeting with Governor Brendan Byrne, New Jersey
Re: Elimination of Budget for the South Jersey/
Camden V.A. Hospital

Time: 11:25-approximately 11:30 a.m.

Attendees: Governor Brendan Byrne

Staff: Jane Frank of Intergovernmental Affairs
Marilyn Berry Thompson, Governor Byrne's staff
(and on loan to my staff to work on the urban policy)

Background

In May 1976, President Ford announced a federal commitment to construct a \$76 million, 480-bed, 1.5 million square foot V.A. Hospital in Camden, New Jersey.

A decision was reached by OMB during the formulation of the FY 1979 budget not to build the 480-bed facility but instead to construct a more limited outpatient facility of approximately 200,000 square feet; and to place the 120 long-term care beds and the 60 psychiatric beds in Philadelphia.

Issues

Governor Byrne and other New Jersey officials (Senators Williams, Case, Representative Florio, and Mayor Errichetti) make the following arguments as to why the V.A. Hospital should be built:

Prior Commitments. They state, and accurately, that both the Ford and Carter Administrations made hard commitments to build the hospital. As late as August 1977, Max Cleland--in writing--authorized the City of Camden to proceed with site acquisition and preparation.

The officials claim that government must continue to honor its commitments and should not precipitously, without prior consultation and negotiation, reverse a solid commitment upon which an entire community relied.

For example, the City, which had planned to donate the site to the V.A., proceeded to demolish its Convention Hall on the site to make way for the facility on the advice of the V.A. Major streets were re-routed.

Police and fire facilities were relocated to accommodate V.A. preferences. State-federal supported transportation facilities were altered to meet the needs of the V.A. facility.

Health Issues

- a. OMB and New Jersey agree on the need for long-term care for New Jersey citizens, but OMB thinks that proposed new facilities in Philadelphia will meet the need. New Jersey has a documented critical health manpower shortage and they want their own facilities and resources. Jersey ranks 48th in the nation in long-term care beds.
- b. New Jersey has a very low ratio of V.A. beds per veteran population: .7 percent beds per 1000 vets compared to the national average of 3.12 percent beds per 1000 vets. OMB's answer to this is that the national average is too high.
- c. The V.A. Hospital was the centerpiece for an entire south-Jersey medical center (which Rosalynn has visited). Although the medical school and other hospitals can still operate, several aspects of the program will not be possible without the V.A. Hospital.

Economic Development Issues

As one of the ten most depressed cities in the nation, the V.A. Hospital was a centerpiece for an entire urban redevelopment in Camden. Several private sector investments are now in question since the reversal of the original decision.

Political Issues

This is a highly emotional issue in New Jersey. Senator Harrison Williams and Senator Case are convinced that they have a good chance of having this restored in full by Congress.

The New Jersey delegation is scheduled to meet with OMB officials (hopefully McIntyre) this afternoon to press their case. It is possible that the delegation will be able to insert the hospital into FY 79 budget regardless of our opposition (Case is ranking Republican on appropriations and is up for re-election). Williams feels very strongly about this issue.

Your visit with Governor Byrne is only for five minutes. He wants merely to mention this subject to you and to underscore its crucial importance to him and to the entire New Jersey delegation. He will neither seek nor expect any commitment or response from you at this time; he simply wants to have an opportunity to present to Jim McIntyre and OMB what he believes is a compelling case for the honoring of the previous commitment to build the hospital.

On a separate subject, you might thank Brendan for loaning Marilyn Berry Thompson (Director of his Washington office) to us to work on formulating the "State role" in urban policy. Marilyn has been, and is, doing an absolutely outstanding job in working with me and my staff on that project. She is an extremely able young woman and a very hard worker. Marilyn will be with the Governor during his five-minute visit.

I shall not be at the meeting because of a previous commitment to give a luncheon speech in New York City to the Council for Northeast Economic Action.

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THE WHITE HOUSE
WASHINGTON

February 22, 1978

The Vice President
Stu Eizenstat
Jim McIntyre Charles Schultze
The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Frank Moore
Jody Powell
Jack Watson

CETA AUTHORIZATION

*Message given to B Linder
for delivery*

THE WHITE HOUSE

WASHINGTON

February 21, 1978

ok -
VP assure
make statement
JC

MEMORANDUM FOR:

THE PRESIDENT

FROM:

RAY MARSHALL
STU EIZENSTAT *Stu*
JIM MCINTYRE
CHARLIE SCHULTZE

SUBJECT:

CETA Reauthorization

We have reached agreement on legislation to extend the Comprehensive Employment and Training Act for four years, through 1982.

The CETA program is at the heart of our structural unemployment policy. It authorizes both public service employment and training programs. In 1979 we plan to spend under CETA \$11.4 billion of the \$12.8 billion spent on employment policy by the Department of Labor. It is administered through a network of 445 prime sponsors, states and cities and counties of 100,000 population.

The CETA reauthorization carries out the decision you made in the budget review process to target employment and training programs more sharply upon the poor. It will also provide legislative authority for the new private sector initiative program and carry forward the youth employment and training initiatives begun last year.

The proposed CETA reauthorization legislation and a Presidential Message will be submitted to Congress on Wednesday, February 22.

A White House press conference will be held that morning with a statement by you or Vice President Mondale concerning the CETA legislation. Secretary Marshall is inviting the Congressional sponsors of the legislation to attend the press conference: Gus Hawkins, Chairman of the House Subcommittee on Employment Opportunities; Carl Perkins,

Chairman of the House Education and Labor Committee; Gaylord Nelson, Chairman of the Senate Subcommittee on Employment, Poverty and Migratory Labor.

The Message accompanying the transmittal of the CETA bill provides an opportunity to state the Administration's overall employment strategy in the context of help for the disadvantaged.

In summary, the CETA reauthorization provides the following:

Demographic Targeting on the Disadvantaged

The reauthorization establishes for the first time the requirement that CETA participants be economically disadvantaged, defined as having incomes at or below 70 percent of the Bureau of Labor Statistics lower family budget (about \$7,000 today with regional variation). ✓

Geographical Targeting on the Disadvantaged

The question of distribution formulas must wait until mid-March when new data will be available from the BLS for calculating local unemployment rates. The Congress is aware of this problem.

Public Service Employment Levels

Authorizes 725,000 public service jobs through fiscal year 1979, as we have promised to do. There would continue a base program of 100,000 jobs which would be concentrated in areas with high local unemployment. When unemployment goes above 4.75%, authority to make available funds for another 100,000 would "trigger" in. For each .5% increase in unemployment another 100,000 jobs would be authorized.

The 4.75% unemployment rate is taken as the point at which counter-cyclical jobs programs would be "triggered in" in the future. It is higher than the 4% Humphrey-Hawkins goal because we believe that, below the trigger point, the goal can be reached only through structural employment and training programs, not counter-cyclical public service employment.

Substitution

State and local government are often charged with "substitution" of federally funded workers for those they would otherwise

have hired with local money. To the extent this happens, the net new job creation effect of the program is reduced. Estimates of the extent of substitution vary widely. Some econometric estimates have gone as high as 100%, but the estimators admit that the range of error is very wide.

A Brookings Institution study released last week by the National Commission on Manpower Policy indicates that direct substitution under the old CETA jobs program was about 20 percent and under the new, more sharply targeted program that began in April as low as 8 percent. The study is based on survey data, and will no doubt be disputed.

Note that even if substitution of Federal for local dollars takes place, the program can be an important structural benefit if truly disadvantaged workers are hired.

Whatever its extent, it is critical to continued support in Congress for the CETA public jobs program that we move aggressively to combat substitution. The key to this is better monitoring, with current Federal staff. In addition, the reauthorization legislation requires that:

- all hired under the jobs program be economically disadvantaged; ✓
- eligibility for people, who are claimed as dependents for income tax purposes by their parents, be judged on the basis of the total family income; ✓
- the practice of supplementing federal wage payments - capped at \$10,000 - with local funds be strictly limited to nonprofessional entry level jobs and not to exceed 10% of total local P.S.E. allocations; ✓
- no individual can hold a public service job for more than 78 weeks. ✓
- counter-cyclical jobs generally be in projects. ? ✓

Youth Programs

The \$1 billion appropriated in fiscal year 1977 for the Youth Employment and Demonstration Projects Act, (YEDPA) will fund the program through 1978 with almost \$400 million left over to spend in '79. We are asking budget authority of \$931 million and outlays of \$1.186 billion in fiscal year 1979. Outlays for youth in '79 - including the summer jobs program, the Job Corps and youth's share of the regular CETA training programs will exceed \$3 billion in 1979.

Since the Youth Employment and Demonstration Projects program is still in the buildup stage, we believe it wise not to seek substantial amendments to the program at this time. The youth provisions are consolidated into a single title with the exception of Senator Jackson's Young Adult Conservation Corps which continues under a separate authority.

As the youth programs expand this spring and summer, however, they represent an opportunity for the Administration to take credit for making a very substantial effort to help with the problems of youth unemployment.

Private Sector Initiative

In the budget we requested \$400 million for a private sector initiative for youth and other disadvantaged workers. In the CETA reauthorization the one major new program for which we are asking legislation authority is the Private Sector Initiative program, in a new Title VII.

The purpose of the program is to secure more private sector employment and training placements, to help prime sponsors commit a larger share of their resources to private sector activities and to tap the commitment of businessmen large and small to help. On-the-job training which took 18% of manpower funds before the decentralized CETA system was established, took only 11 percent in 1977. The recession that followed soon after CETA's enactment in 1973 is the major explanation of this fact. The recovery gives us the opportunity to provide leadership to renew and expand the ties of employment system and the private sector.

Under the program the local business community - including small as well as large businessmen - together with labor representation, would form a Private Industry Council which would use local CETA funds to organize private sector placement and training programs.

Administrative Simplification and Coordination

The new legislation requires prime sponsors to coordinate CETA efforts - especially public service employment placement - with other federally funded programs such as

E.D.A. Community Development Block Grants and Title XX Social Service Programs. It puts all of the administrative provisions into Title I, and takes steps to cut back on paperwork and make the application process easier for prime sponsors.

Welfare Demonstration Projects

The reauthorization provides specific legislative authorization for the Better Jobs and Income program job demonstrations for which we are requesting \$200 million in the FY 79 budget.

Programs for the non-disadvantaged

The original manpower legislation - the Manpower Development and Training Act of 1962 - was designed primarily to help workers unemployed because of technological change (meat-packers displaced by automation) or regional decline. It was not until the Economic Opportunity Act of 1964 that the focus was shifted to the poor. We are now proposing an even sharper focus requiring that participants be from among those whose incomes are at or below 70% of the BLS lower family budget.

The reauthorization legislation does provide the following exceptions to that rule:

- five percent of the Title II funds can be spent on training to "upgrade" people already employed, mostly persons in entry level positions who are working at less than their full skill potential; and on people who have received notice of layoff where it is determined they have little opportunity to obtain employment in the same job and area. These programs are strongly supported by the unions.

Conclusion

The closer we come to our employment goal under the proposed Humphrey-Hawkins legislation the greater the danger of inflation. If we are to increase employment while minimizing inflation we must make our structural programs work effectively.

The CETA legislation we are proposing gives us the legislative basis for carrying that effort forward, with the federal government cooperating with State and local authorities and the private sector in the effort.

A comparison of costs to the planning base is attached.

Analysis of Budget Costs

Reauthorization of the Comprehensive Employment and Training Act

(billions of dollars)

	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Changes to the planning base				
BA	--	-1.0	+ .7	+ .4
O	--	- .6	+ .7	+ .4

Basis for the estimates

The 1979 budget was developed without proposed reauthorization legislation available for simultaneous review. The legislation is presumed to make no changes from the planning base, with the exception of the PSE estimates (Title VI).

In the budget process, absent the PSE provisions, we agreed to pick arbitrary outlay estimates for 1980 and beyond. They deliberately represent no consistent phasedown path.

The continuing PSE program of 100,000 slots in areas of high unemployment is unaffected by the unemployment rate. The change shown above for 1980 - 1982 is the result of the trigger device in the proposed bill, taking into account the unemployment rate projections in the budget. The trigger would add (or subtract) fund availability for public service jobs based on the change in the national unemployment rate over 4.75%.

Factors that could modify the budget impact

All elements of the bill are covered by appropriation authorizations of "such sums as are necessary," including the PSE provisions. For PSE however, starting in FY 1980, the amount actually made available for obligation, over the amount needed to maintain the continuing 100,000 slots, is tied to changes in the national unemployment rate. Should the rate move differently from the path in the 1979 budget projections, more or less PSE funding could be sought.

STATEMENT BY THE PRESIDENT

The massive unemployment which this Administration inherited is more than an economic problem. For millions of American families it is a personal tragedy. It has meant -- not just lost income -- but lost pride, and dignity, and hope.

My Administration has no higher domestic priority than to reduce unemployment and restore our economy to full health. The first major legislation I submitted to the Congress was a \$21 billion economic stimulus program, the largest in our history, to get our economy moving again. We have already seen its effects. This past year, we added a record 4.2 million new jobs to the American economy. Unemployment declined 1.5 percentage points.

That represents substantial progress, but much more remains to be done. The level of unemployment today is still unacceptable. And too many Americans -- particularly young people, minorities and women -- continue to suffer disproportionately high rates of joblessness.

I have proposed a broad series of actions to combat unemployment, including proposals for major tax relief and tax reform; the creation of 1.4 million new jobs through comprehensive welfare reform; and support for the Humphrey-Hawkins full employment bill.

To continue and expand these efforts, I am sending a comprehensive legislative proposal to the Congress today to reauthorize, improve and extend the Comprehensive Employment and Training Act through 1982. Our proposals are designed to target help to the disadvantaged and those who are most in need.

For Fiscal 1979, we have asked the Congress for \$11.4 billion to provide jobs and training opportunities for over

4 million Americans. More than \$3 billion of those funds are targeted to strengthen and expand our efforts to reduce unemployment among young people.

The future of our country is our youth. We cannot, and we will not, permit hundreds of thousands of American young people to grow up without the opportunity to gain the dignity and self-respect and sense of worth that come from honest work.

Our proposals maintain the current level of CETA public service employment jobs at 725,000 jobs for 1979. Starting in 1980, we have proposed a new, automatic trigger which will gear the level of jobs to the level of unemployment.

This legislation includes several additional improvements in the CETA program:

- It establishes for the first time a legislative requirement that the participants in the CETA program be economically disadvantaged Americans.
- It includes new safeguards to prevent the substitution of federally funded workers under CETA for those who would otherwise be hired with local funds.
- It cuts back on red tape and paperwork, streamlines administration of CETA grants, and requires increased coordination by CETA sponsors with other federally funded programs.
- And it includes funds for 50,000 positions under the President's Better Jobs and Income program as a demonstration project.

In addition, this legislation contains a major new Federal initiative to provide training and permanent jobs for the unemployed in the private sector. We have asked for \$400 million to establish a series of local Private Industry Councils, made up of business and labor representatives,

to help provide on-the-job training and placement opportunities for young workers and other participants in the CETA system.

These proposals were developed under Secretary of Labor Ray Marshall's direction in close consultation with the Congress. I am particularly grateful for the leadership of Senator Gaylord Nelson, Congressman Augustus Hawkins, Chairman Harrison Williams and Chairman Carl Perkins, sponsors of this legislation, who are with us today.

I am strongly committed to passage of this important legislation. It is vital to our continuing efforts to bring our economy back to full employment without inflation, and we urge the Congress' prompt action.

Secretary Marshall has a brief statement and will answer your questions after that. Thank you.

TO THE CONGRESS OF THE UNITED STATES:

I am submitting today legislation to extend an improved Comprehensive Employment and Training Act through 1982.

This legislation is an essential complement to the balanced economic program I presented to the Congress last month. While our tax and budget proposals ensure that steady growth continues without inflation, the CETA legislation I am proposing today will make sure that more of our people share in the benefits of growth. With its training programs and direct job creation, this legislation is critical to reaching our employment goals.

In Fiscal Year 1979 we expect to spend \$11.4 billion in this effort, providing jobs and training support for more than 4 million people under the CETA program.

This legislation will combine public and private efforts to attack the problem of structural unemployment, which affects groups, such as minorities and young people, who have difficulty finding work even when over-all economic prospects are good. Last year, for example, our employment situations improved markedly; 4.1 million more people held jobs at the end of 1977 than at the end of 1976, and the unemployment rate fell by 1.4 percent. But even while unemployment was falling to 4 percent among white males above the age of 20, it was rising -- from 35 to 38 percent -- among black teenagers.

The Comprehensive Employment and Training Act will enable us to concentrate on these groups that suffer structural problems, without putting inflationary pressures on the rest of the economy. Its major elements are:

-- Public service jobs for the unemployed.

In the last year, we have more than doubled the size of this program, increasing it from about 300,000 jobs to 725,000.

-- The broad range of youth programs authorized by the Youth Employment and Demonstration Projects Act of 1977. Spending for youth programs has increased from about \$660 million in Fiscal Year 1976 to about \$2.3 billion in Fiscal Year 1979.

-- The Administration's new Private Sector Initiative, which will provide opportunity for the private and public sectors to work together to provide jobs and training for the unemployed and disadvantaged.

-- Other important related programs, such as the Job Corps, welfare reform demonstration projects, and the Federal government's job training efforts.

These CETA programs have already played a role in reducing the unemployment rate from 7.8 percent to 6.3 percent in the last 13 months.

The bill I am submitting today, which will reauthorize the Comprehensive Employment and Training Act for an additional four years, from 1979 to 1982, will sustain the current programs, establish the foundation for future growth, and improve the operation of the CETA system.

A countercyclical program under Title VI, will maintain the 725,000 public service employment slots that were part of my stimulus program through Fiscal 1979. We are rapidly approaching the 700,000 mark in that effort, and I fully expect that the 725,000 goal will be reached in the month of March.

Also, I am recommending to the Congress that we adopt a trigger formula, beginning in 1980, to insure that countercyclical public service employment is activated quickly when needed and is reduced as unemployment declines.

When the unemployment rate falls below four and three-quarters percent, the triggering formula will reduce the number of slots to 100,000, targeted on areas that still have high unemployment. For each half percentage point that unemployment exceeds that 4.75 percent level, 100,000 public service employment positions will be added in Title VI.

Recent evidence indicates the effectiveness of countercyclical public service employment. Just last week, the National Commission on Manpower Policy released a study done by the Brookings Institution showing that the substitution problem, which limits the usefulness of public service employment when Federal dollars are used to replace local funds, is not as serious as had previously been feared.

To reduce substitution, I am encouraging the use of a special project approach which, according to recent evidence, has been successful in meeting this problem.

I am also proposing strict limits on the use of these funds to support higher-wage public employment.

This new bill takes further steps to target jobs on those most in need and sharply limit substitution.

In order to target more effectively, I am recommending that funds given out under the CETA system be used only for the economically disadvantaged -- defined as those whose family income is no greater than 70 percent of the Bureau of Labor Statistics' lower-income family budget standard. I am also recommending that young people whose parents claimed them as income tax deductions in the previous year include their parents' income in establishing their eligibility for the current year.

This year, I propose that we demonstrate the jobs component of my welfare reform proposal by creating 50,000 positions in selected cities. Beginning in Fiscal 1980, with the passage of the welfare reform bill, we will increase the structural unemployment program until it can accommodate the 1.4 million people I anticipate will be served in the welfare reform plan. That should ensure that, for every family containing children and parents who want to work, there will be a job. Most families containing an employable person will see their income rise substantially above the poverty line.

The purpose of the Public Service Employment program will remain what it has been -- to provide useful jobs. For example:

- Major parks in urban centers, such as Boston, that were once abandoned to overgrowth and vandalism have been reclaimed for the enjoyment of the public.
- In North Carolina, elderly people are being cared for, in their homes, by public service employment workers, rather than being forced to leave home and spend their last years in expensive, sometimes-impersonal nursing homes.
- In Portland, Oregon, CETA workers install locks, window grates and other security devices in the homes of senior citizens and low-income families living in high-crime areas.
- In Memphis, workers are building ramps for the handicapped in five areas of the city used heavily by the handicapped and elderly.

-- In Humboldt County, California, CETA workers help to staff day care centers serving low-income families.

-- In Worthington, Minnesota, workers are providing home insulation and energy conservation assistance to low-income households in a four-county area.

As the economy improves, employment and training programs should shift their emphasis from creating jobs in the public sector to providing training and finding jobs in the private sector.

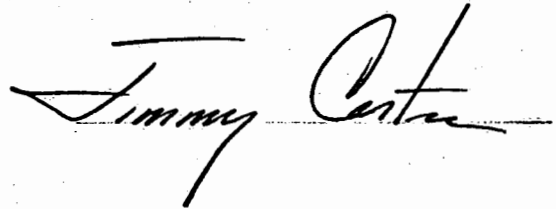
To help place CETA participants in private-sector jobs, to provide an opportunity for cooperation between the local CETA programs and the private sector, and to tap the goodwill and commitment of private-sector businessmen, large and small, as well as labor leaders, I am asking Congress for authority to establish a new Private Sector Employment Initiative, under a new Title VII. In the budget, I have set aside \$400 million for this activity in 1979.

Private Industry Councils -- made up of representatives of large and small businesses and union organizations -- will be responsible for developing on-the-job training and other placement opportunities with private firms for young workers and other participants in the CETA system.

The CETA legislation that I am presenting today provides Congress with a plan for a rational, efficient and targeted structural and countercyclical employment program.

We need an employment and training system which is administratively clear, that helps those most in need, that creates needed jobs and provides maximum opportunity for cooperation between the public and private sectors. To reach the goal of full employment, and price stability which

we have set in the Humphrey-Hawkins bill, we must make these programs work. The legislation I am sending to Congress today can provide a framework within which we can all work together to achieve that commitment.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed text.

THE WHITE HOUSE,